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LISTING STATEMENT NO. 2458

LISTED JULY 2, 1970

29,413,893 shares of Common Stock of \$5.00 par value each, of which 2,681,519 shares are subject to issuance.  
Stock Symbol "CIT".  
Post Section 7.1.

*Sale*

## THE TORONTO STOCK EXCHANGE

### **LISTING STATEMENT**

## CITIES SERVICE COMPANY

Incorporated under the Laws of the State of Delaware,  
The United States of America on September 2, 1910

### COMMON STOCK — PAR VALUE \$5.00

Transferable in New York, New York  
 Boston, Massachusetts  
 Chicago, Illinois  
 Jersey City, New Jersey  
 Toronto, Ontario

### CAPITALIZATION AND FUNDED DEBT AS AT DECEMBER 31, 1969

CAPITAL STOCK	AUTHORIZED	ISSUED AND OUTSTANDING	TO BE LISTED
\$4.40 Cumulative Convertible Preferred Stock, without par value .....	258,791	165,566	—
\$2.25 Cumulative Convertible Preference Stock, without par value .....	538,566	472,926	—
Common Stock, \$5 par value .....	40,000,000	26,732,374	29,413,893(1)

FUNDED DEBT (thousands of dollars)(2)	AUTHORIZED	OUTSTANDING DECEMBER 31, 1969
Company: 6% Debentures due 1999 (sinking fund payments varying from \$1,000 to \$4,000 annually on August 1, 1980-1998) .....	\$100,000	\$100,000

FUNDED DEBT Continued

	AUTHORIZED	OUTSTANDING DECEMBER 31, 1969
6½% Debentures due 1997 (sinking fund payments of \$4,500 annually on November 1, 1978-1996) .....	\$100,000	\$100,000
3% Sinking Fund Debentures due 1977 (sinking fund payments in semi-annual installments of \$750 from 1970-1976) .....	115,247	49,768
4½% Note payable due 6/1/74 (payments in semi-annual installments of \$550 from 1970-1974) .....	—	4,950
Total Company .....		254,718
 Subsidiaries: (3)		
Cities Service Oil Company		
Notes payable, 3½% to 5½%, due in varying installments from 1970-1982 .....	—	99,491
Cities Service Pipe Line Company		
4½% Note payable, due annually 1970-1973 .....	—	2,110
Columbian Carbon (Canada) Ltd.		
5½% Sinking Fund Debentures, due 1972 (sinking fund payments of \$400 annually on November 1, 1970-1972) .....	4,000	1,200
Cit-Con Oil Corporation		
4¾% Note payable, due in monthly installments to 1971 .....	—	3,000
Cities Service International Capital Corporation		
6¾% Guaranteed Notes, due June 15, 1971 .....	25,000	25,000
Coltexo Corporation		
8½% Notes payable, due in varying installments from 1970-1973 .....	—	4,800
Cities Service Tankers Corporation		
3.35% First pfd. fleet mtg. notes, due in quarterly installments 1970-1973 .....	17,000	4,000
Grand Bassa Tankers, Inc.		
5½% First pfd. fleet mtg. notes, due in monthly installments 1970-1983 .....	28,790	17,106
Cities Service Gas Company		
3¼% First mtg. pipeline bonds, due annually 1970-1971 .....	12,000	4,000
4½% First mtg. pipeline bonds, due annually 1970-1977 .....	35,000	27,500
8½% Notes payable, due August 1, 1972 .....	—	20,000
Kansas Gas Supply Corporation		
4½% Notes payable, due 1970 .....	—	175
Other long term debt .....	—	2,170
Total Long Term Debt .....		\$465,270

- (1) Includes 549,810 shares held in Treasury and 2,131,709 shares reserved for issuance upon conversion of Preferred and Preference Stock and under various stock option plans.
- (2) Long term debt including amounts maturing within one year from December 31, 1969.
- (3) Excludes indebtedness of unconsolidated foreign subsidiaries and 50% owned companies, which indebtedness in the aggregate is not significant.

1.

APPLICATION

Cities Service Company ("the Company" or "Cities Service")\* hereby makes application for the listing on The Toronto Stock Exchange of 29,413,893 shares of its Common Stock, par value \$5.00 per share, of which 26,732,374 shares have been issued and are fully paid and nonassessable, and were outstanding at December 31, 1969. Of the remaining 2,681,519 shares included in this application, 549,810 were held in the Company's Treasury, 552,990 shares have been reserved for issuance upon conversion of shares of the Company's \$4.40 Cumulative Convertible Preferred Stock, 859,779 shares have been reserved for issuance upon conversion of shares of the Company's \$2.25 Cumulative Convertible Preference Stock, and 718,940 shares have been reserved for issuance pursuant to certain Stock Option Plans.

\* Except as otherwise indicated by the text, the term "Cities Service" means Cities Service Company and all subsidiaries consolidated for the purposes of the financial statement of Cities Service Company.

2.

## REFERENCE TO ANNUAL REPORT

Reference is hereby made to the attached Annual Report to Stockholders for the fiscal year ended December 31, 1969, incorporated herein and made a part hereof and referred to for additional information in connection with this Application.

3.

## HISTORY

Cities Service Company is a Delaware corporation having been incorporated on September 2, 1910. In January, 1962, it acquired the assets of Columbian Carbon Company through the issuance of \$4.40 Cumulative Convertible Preferred Stock. In June, 1963, it acquired the assets of Tennessee Corporation through the issuance of \$2.25 Cumulative Convertible Preference Stock. As of January 1, 1970, Cities Service Company was operating through six groups as follows: North American Petroleum, Natural Gas Transmission, North American Petrochemicals, North American Chemicals and Metals, International and Diverse Operations.

4.

## BUSINESS AND PROPERTY OF THE COMPANY

### NORTH AMERICAN PETROLEUM GROUP

#### *Exploration and Production*

Cities Service's petroleum operations in the United States and Canada produced an average of 122,100 net barrels of crude oil and 969 net million cubic feet of natural gas per day during 1969. In North America at December 31, 1969, the company was producing oil or gas, or both, from 8,262 net wells. Detailed production statistics may be found on pages 28-29 of the attached 1969 Annual Report.

The Company maintains an active and extensive program in the search for, and development of, petroleum reserves. In 1969, 81 oil and 26 gas wells were completed and 59 dry holes drilled in the United States and Canada.

Operations in the domestic offshore areas represented an important segment of the Company's over-all production and exploration activities. The Company's interest averaged 21,400 net barrels of crude oil and 146 net million cubic feet of natural gas daily from the offshore Louisiana area for 1969. The principal portion of this production resulted from the Company's 25% participation in the four company operating group CAGC. A major share of the offshore oil production came from the development of the Grand Isle West Delta area.

Cities Service, participating individually and in various combines, at the offshore Louisiana Federal drainage sale, held on December 16, 1969, paid \$33,806,025 for four tracts totaling 11,870 acres. This included a wholly-owned lease on the 5,000 acre tract 258, near the Eugene Island oil field on which drilling operations are continuing in further evaluating this tract.

In the Santa Barbara Channel, off the California coast, the Company has a 37½% interest in a 2,000 acre lease. In 1969, after a brief shutdown in April, ordered by Federal agencies, following the blow-out of another group's well, at year end crude oil production was 22,800 barrels per day from 61 wells. The Company's share of the crude oil production from these leases averaged 5,600 net barrels daily in 1969.

Off the Texas coast, in the South Brazos area, Cities Service has a 25% interest in a four-part group which drilled a test well early in 1969 on tract A 76. This 5,760 acre lease was acquired in 1968. A 12-place platform has been ordered to develop the gas reserves of this tract.

In the Gulf of Alaska, Cities Service is continuing its technical evaluation of geological, seismic and other data in preparation for a possible Federal lease sale.

In the domestic on-shore area, Cities Service is participating in 285 secondary recovery projects currently producing 38,000 (gross to company) barrels of crude oil per day. This figure represents crude oil which would not have been produced by primary recovery methods.

The Company's principal producing areas in Canada are southeastern and western Saskatchewan and central Alberta. At year-end, Cities Service held 6,796,000 net acres in Canada. Evaluation tests continue on various Cities Service interests in acreage blocks in Alberta and Northwest Territories areas.

On September 4, 1969, Cities Service acquired a 30% undivided interest in 4,516,634 acres in the Hudson's Bay area of Canada. A program to evaluate this acreage is being formulated at this time.

In Alaska, Cities Service participating with partners, was a high bidder for 19 oil and gas leases totaling 48,561 acres in the State of Alaska North Slope lease sale held on September 10, 1969. The 19 successful bids totaled \$36,172,036. The Company's share was \$6,980,209 for 13,059 net acres due to Cities Service's varied interests in the 19 tracts. Prior to this sale, the Company participated in a Prudhoe Bay area well, Hamilton Brothers' Point Storkerson—1, that produced oil on test from the Triassic formation. On tract No. 51, immediately west of the Point Storkerson well, the Company is participating with partners in an evaluation test well. In addition, Cities Service, and partners, are drilling an exploratory test on tract No. 18, approximately 20 miles northwest of Prudhoe Bay.

Cities Service has priority filings on 146,898 acres of federal land in the foothills of the Brooks Mountain range, some 80 miles south of Prudhoe Bay. There is a moratorium on the issuance of federal leases due to native claims. In addition, the Company has acquired 99,635 acres of federal leases in this same area and has conducted geophysical surveys.

### *Natural Gas Liquids*

Cities Service participated in the operation of 69 natural gas processing plants—33 wholly and 36 partially owned—on December 31, 1969. Cities Service's daily net production from these plants averaged 78,500 barrels of natural gas liquids during 1969.

Cities Service operates a natural gas liquids supply complex at Hutchinson, Kansas, with a designed daily capacity of 50,000 barrels, consisting of 634 miles of pipeline, a fractionation plant and substantial underground storage facilities.

Another 50,000-barrel per day natural gas liquids supply complex is located at Lake Charles, Louisiana and consists of a fractionation plant and 156 miles of pipeline.

Four natural gas liquids plants were added during 1969. Modifications continue, where appropriate, to increase product recovery and efficiency in all plants.

Plans were announced in 1969 for the construction and expansion of facilities on the Gulf Coast. Included in the plans are a new 60,000 barrels per day fractionation plant at Mont Belvieu, Texas, additional underground storage and conversion to natural gas liquids use of the Company's 12" crude oil pipeline from Houston to Lake Charles. The new plant, scheduled for completion in January, 1971, will fractionate mixed products transported from West Texas by way of Chaparral Pipeline, including ethane, propane, iso-butane, normal butane and natural gasoline.

The year 1969 represented the fourth year of operation for Cities Service owned LP-gas retail outlets. Retail LP-gas is a relatively modest program being developed in selected markets which complement Company LP-gas production and storage facilities. Retail LP-gas sales volume was 54 million gallons in 1969.

### *Refining*

At December 31, 1969, Cities Service owned and operated two refineries with indicated crude oil capacity as follows:

<u>Location</u>	<u>Capacity barrels per day</u>
Lake Charles, Louisiana.....	205,000
East Chicago, Indiana.....	56,000
Total .....	261,000

Cit-Con Oil Corporation, in which Cities Service has a 65% interest, owns and operates a solvent refined lubricating oil and wax plant located adjacent to Cities Service's refinery at Lake Charles, Louisiana. This plant has a daily rated capacity of 10,000 barrels of lubricating oil base stocks.

### *Marketing*

CITGO branded products are sold in 29 states along the East Coast, the Great Lakes region, in the South and in the District of Columbia. These products are marketed through approximately 9,500 service station outlets. Of these outlets, 39 are operated by Cities Service—the balance being operated by independent dealers and distributors under the CITGO brand.

### *Transportation*

Raw materials and products are moved by tanker, pipeline, tank car, hopper and gondola car, truck and barge. Cities Service owned or held an interest in 17,593 miles of crude and products line as of December 31, 1969. At year-end 1969 the Company owned or leased some 1,900 tank cars and 500 hopper and gondola cars.

## NATURAL GAS TRANSMISSION GROUP

Cities Service Gas Company purchases, transports and sells in interstate commerce, natural gas at wholesale prices to distributors and industrial customers located adjacent to its pipeline system.

The physical property consists of 7,629 miles of natural gas pipeline comprised of 5,060 miles in transmission service, 174 miles of storage and 2,395 miles of gathering pipelines. In order to gather, store, transport, and market the volumes of gas handled, 283,390 horsepower is required in its 60 compressor stations. Also included in the system are 10 underground natural gas storage reservoirs having an aggregate storage capacity of 147 billion cubic feet.

Gas is purchased in Kansas, Missouri, Oklahoma and Texas and sold in Kansas, Missouri, Nebraska, Oklahoma and Texas. The major sources of dry gas are the Texas Panhandle, Oklahoma Hugoton, and Kansas Hugoton Fields. The system's peak day capability was approximately 2.3 billion cubic feet on December 31, 1969.

Kansas Gas Supply Corporation purchases, transports and sells in the state of Kansas, natural gas at wholesale prices to distributors and industrial customers located adjacent to its pipeline system.

The physical property consists of 236 miles of natural gas pipeline comprised of 129 miles in transmission service and 107 miles of gathering pipelines. In order to gather, transport, and market the volumes of gas handled, 1,350 horsepower is required.

## NORTH AMERICAN PETROCHEMICALS GROUP

### PETROCHEMICALS

A petrochemical complex is operated at Lake Charles, Louisiana. Plants are located in this complex with annual designed manufacturing capacities as follows:

<u>Product</u>	<u>Designed Capacity—Annual</u>
Butadiene .....	84,000 tons
Ethylene .....	400 million pounds
Propylene .....	320 million pounds
Cyclic Chemicals .....	25 million pounds
Orthoxylene .....	80 million pounds
Paraxylene .....	36 million pounds
Benzene .....	23 million gallons
Butyl Rubber .....	37,500 long tons

Cities Service owns approximately 28% of the stock in a company which operates an ethylene glycol plant with an annual capacity of 21 million gallons.

Construction has started on an ethylene-propylene facility which will increase annual capacity for production of ethylene by 500 million pounds and propylene by 300 million pounds.

### *Carbon Black*

Carbon black is used principally for compounding with rubber in the manufacture of tires and other rubber products and is also used in the paint and ink industries. Wholly owned plants for the production of carbon black are located in the United States and Canada as follows: El Dorado, Arkansas; Hickok, Kansas; Eola and North Bend, Louisiana; Tacony, Pennsylvania; Conroe and Seminole, Texas; Mojave, California; Hamilton, Ontario, Canada. A partly owned carbon black plant is located at Seagraves, Texas. Construction of a carbon black plant in Marshall County, West Virginia is underway. The new plant is scheduled to be in operation by the end of 1970.

### *Graphic Arts*

Printing inks are manufactured at 21 locations in the United States, Canada and Puerto Rico. Printing presses and other equipment are produced at Philadelphia, Pennsylvania. Lithographic plates and supplies are manufactured at Cincinnati, Ohio.

### *Plastics*

Cities Service produces low density polyethylene resin at Lake Charles in a plant which has a capacity of approximately 80 million pounds per year. Construction is currently in progress for an additional 140 million pound per year facility.

Plastic housewares are manufactured at McKees Rocks, Pennsylvania, Tustin, California and Kankakee, Illinois and are marketed nationally under the trade name "Festival". The Kankakee, Illinois plant also produces "Festival" brand polyethylene consumer refuse bags.

Polyethylene film and bags for industrial customers are produced in Norcross, Georgia.

### *Pigments and Specialties*

Synthetic iron oxides for pigment and ferrite uses, plastic color concentrates, pigmented dispersions, synthetic pearl pigments, and intumescent paints and coatings are produced at eight locations in the United States and Canada.

## NORTH AMERICAN CHEMICALS AND METALS GROUP

### *Agricultural Chemicals*

The Cities Service complex at East Tampa, Florida is one of the largest producers in the United States of high analysis phosphatic fertilizer materials—such as triple superphosphate, ammonium phosphates and phosphoric acid. This industrial complex includes a 125,000-ton per year anhydrous ammonia plant. At Lake Charles, Louisiana, the Company owns and operates a 140,000-ton per year anhydrous ammonia plant.

Other important raw materials, which presently are purchased, are sulphur, potash and certain nitrogenous materials, all considered to be in adequate supply for Cities Service's needs. Cities Service is self-sufficient in sulfur production, but because of freight costs sells the sulfuric acid produced in the Copperhill operation to others and buys sulfur from others for phosphate rock acidulation at the Tampa complex and the production of sulfuric acid at Augusta, Georgia.

Cities Service operates fertilizer plants at Attalla, Montgomery and Decatur, Alabama; and New Albany, Indiana. In addition, it operates 271 fertilizer bulk blending plants in the Midwest, Southeast and in western Texas.

The fertilizer industry is being adversely affected by a general condition of over capacity in terms of present demand.

### *Industrial Chemicals*

Inorganic chemical products include sulfuric acid produced at Copperhill, Tennessee; East Tampa, Florida; Augusta, Georgia; and Lake Charles, Louisiana. In addition, the Copperhill complex produces liquid sulfur dioxide, copper chemicals, sodium hydrosulphite, secondary zinc oxide, ferric sulfate and a variety of sulfonation products. Aluminum sulfate also is produced at Augusta and Cedar Springs, Georgia and Fernandina Beach, Florida. Chemicals produced at East Tampa, other than plant foods, are sodium fluosilicates and hydrofluosilicic acid. Chlorosulfonic acid and potassium sulfate are produced at Lockland, Ohio and other specialized chemicals are produced at East Point, Georgia.

### *Metals*

Cities Service produces copper at two mining areas—Copperhill, Tennessee, and Miami, Arizona. The Copperhill facility is undergoing an extensive expansion program to increase the mining and processing capacity approximately 25%, resulting in a product increase of some 40%. The multi-faced program will increase the output of copper, industrial chemicals, sulfuric acid, iron and zinc. Completion of the new facility is scheduled for mid-1972.

At the Company's Miami, Arizona facility, which is the largest producer of copper for Cities Service, copper is obtained by mining and leaching. During the last five years, the average ore mining rate for this operation has been 3,240,000 tons per year. Leaching operations in 1969 produced 19,000,000 pounds of copper. This rate will gradually decline over a number of years.

### *Internal Consumption*

A part of the copper produced is fabricated at Company owned plants into plate, sheet, strip and roll copper at Seymour, Connecticut and into insulated wire and cable at Chester, New York.

Approximately 11 million pounds of copper per year are used in the production of copper chemicals at Copperhill, Tennessee.

### *Exploration*

On the Miami East project, seventeen core holes drilled have encountered copper mineralization at depths ranging from 2,500 to 3,800 feet. The ore body averages 1.35% copper with a thickness varying from 150 to 645 feet. Extension of an existing shaft has been contracted to permit detailed exploration of the ore body and testing of mining methods.

At the Pinto Valley project, more than 150 drill holes have proved the occurrence of widespread low grade copper mineralization in the immediate vicinity of the old Castle Dome mine, about 8 miles northwest of Miami, Arizona. An engineering computer study of the data from this drilling has been made to optimize tonnage and grade of prospective ore and waste; an engineering study is being conducted in order to evaluate the feasibility of this project based on a 40,000 tons/day concentrator with open pit mining. Preliminary estimates indicate over 350,000,000 tons of ore containing .45% copper and some molybdenum.

Cities Service has a 34% interest in Union Minera del Sur, S.A. de C.V., a Mexican company engaged in exploration for sulfur and other minerals in Mexico. A sulfur discovery by this company was announced on November 12, 1968. More than 120 holes have been drilled on six of the seven concession areas held. Sulfur with a net thickness of three feet or more has been encountered in 30 of the holes in two separate mineralized areas. Exploration indicates sulfur reserves exceeding 2,000,000 tons, with commercial development dependent on world market conditions as well as results of continued exploration.

## **INTERNATIONAL GROUP**

### *Exploration*

Offshore the Republic of South Africa, the Company's 25% joint interest well on a 2 million-acre contract area has been classified as a "first discovery" of gas by the South African government.

In the Java Sea, offshore Indonesia, Cities Service is the operator with a 33.3% interest in a 63,800 square mile drilling area. The initial geophysical survey has been completed and the first test well is drilling in the Madura Straits.

In 1969, Cities Service acquired a 25% undivided interest in two concessions totaling 1,742,000 acres in the Mendoza area of Argentina. Exploration has been initiated.

Exploration activities are also being conducted in other foreign areas—including Argentina, Colombia, Venezuela, New Guinea and portions of the North Sea.

### *Production*

In Colombia, Cities Service has a 25% interest in petroleum operations which produced an average of 2,600 barrels per day during 1969 for Cities Service's account.

In Argentina, Cities Service has a 63½% interest in a development contract expiring in 1987 covering a 118,000-acre block. Total crude oil production averaged 40,000 barrels per day during 1969. During 1969, a fully automatic water injection system for secondary recovery was placed in operation. Neither the production nor reserves in Argentina are included in Company statistics.

#### *Manufacturing and Marketing*

International carbon black operations performed strongly in 1969 with sales above the previous year. Expansion programs underway in Holland, Germany and Italy will increase production by 35 percent or 27,000 tons annually. The Company owns six carbon black plants in whole or part outside North America.

Cities Service owns varying interests in many operations overseas. These include:

PASA-Petroquimica Argentina, S.A.—operator or a large petrochemical complex at Rosario, Argentina;

COPEBRAS-Companhia Petroquimica Brasileira—a manufacturer of carbon black, sulfuric acid and agricultural chemicals at Cubatão, Brazil.

ASED-Ammoniaque Synthétique et Dérivés—manufacturer of agricultural and industrial chemicals at Willebroek, Belgium;

CITEX-Cities Service Oil Company of Argentina, S.A.—a marketer of petroleum products in Buenos Aires, Argentina.

### DIVERSE OPERATIONS GROUP

#### *Marine*

The vessels comprising the marine fleet owned by Cities Service traveled 1,465,000 miles and transported 56,000,000 barrels of crude oil and petroleum products and 25,000 long tons of grain during the year 1969. The 14 vessels in this fleet range in size from 33,000 DWT to three 70,000 DWT tankers. Total fleet tonnage is 576,000 deadweight tons. Cities Service tankers are in both foreign and domestic service and are used for Cities Service movements and for chartering to others, including the Military Sea Transportation Service. Barges and tankers are also chartered for domestic movements. The three 70,000 DWT tankers are to be jumboized to 103,000 DWT. This program will be completed by 1973.

#### *Helium*

Cities Service owns and operates the Jayhawk Helium Plant 13 miles east of Ulysses, Kansas. The plant, located on a 200-acre site in the Hugoton natural gas field, processes in excess of 500 million cubic feet of natural gas daily for the extraction of crude helium. Pursuant to a firm contract with the United States Government, Cities Service for 22 years from 1961 will tender to the United States Government the helium output and the Government will pay for such helium, whether taken or not, at an initial price of \$11.78 per Mcf, subject to escalation, but limited to a maximum amount of \$9,100,000 annually. The General Accounting Office has filed reports with the Congress criticizing certain aspects of the Government's Helium Conservation Program and recommending modification of that program. The results of such recommendation are indeterminable at this time.

The Jayhawk Plant also refines crude helium delivered by pipeline from the Company's 50% owned Sunflower Plant, located near Scott City, Kansas, and crude helium produced in excess of the Government's purchases under the above described contract with the United States. Such refined helium is sold in the commercial market either as gas or liquid.

#### *Real Estate*

Cities Service owns several office buildings in the financial district of New York City. The more important buildings are those located at 52 Wall Street, 60 Wall Street and 70 Pine Street (also known as Sixty Wall Tower). All of these buildings are located on land owned in fee.

Cities Service owns a 50% interest in a building in Atlanta, Georgia, which was completed in early 1970. Cities Service leases approximately 50% of this building to house the Atlanta regional offices of Cities Service and a subsidiary. The remainder will be rented to other tenants.

Cities Service owns a 50% interest in an office building under construction in Tulsa, Oklahoma, which is scheduled for completion in the spring of 1971. Upon completion, the headquarters offices of Cities Service Oil Company that are presently in Tulsa and Bartlesville, Oklahoma, will occupy approximately 75% of the building and the remainder will be rented to other tenants.

The Company owns a 50% stock interest in Fort Wayne Bank Building, Inc., which owns a 26-story building in Fort Wayne, Indiana. Several tenants have moved into the building and completion of the building is scheduled for June, 1970.

Cities Service owns other vacant land for which development plans are in various stages. No substantial investment by Cities Service is contemplated to accomplish the planned developments.

#### *Research and Patents*

A broad research and development program is conducted in exploration and production of oil and gas, petroleum products, petrochemicals, plastics, refining processes, carbon blacks, iron oxides, plant foods and metals. Emphasis is on developing and improving technology for upgrading feedstocks and increasing

the profitability of existing facilities. Research laboratories are located at Cranbury, New Jersey; Swartz, Louisiana; and Tulsa, Oklahoma. Joint research is also conducted with other companies.

Cities Service has completed and occupies a major new addition to its 165 acre research center at Cranbury, New Jersey. Included in the complex are extensive research and pilot plant facilities housing the major research operations for all operating groups of the Company together with the necessary administration and service facilities.

On August 20, 1969 Cities Service acquired General Technologies Corporation of Reston, Virginia. The acquisition, made by common stock, was valued at approximately \$2.5 million. General Technologies is engaged in research, development and production of advanced high performance materials, including composites, mineral fibers and metal coatings.

Cities Service owns many United States patents and patents of other countries which are available to others under license arrangement, and also holds licenses under patents owned or controlled by others. Cities Service Company does not consider that the business of its subsidiaries is materially dependent upon any patent or group of patents.

#### *Athabasca Oil Sands*

Cities Service is represented in the Athabasca Oil Sands by a 30% interest in Syncrude Canada, Ltd. Syncrude's application for the construction of a commercial plant to commence production in 1976 of 80,000 barrels daily of synthetic crude and specialty products was approved September 17, 1969 by the provincial government of Alberta. The present schedule calls for definitive engineering and economic studies by 1972.

#### EMPLOYEE RELATIONS

Cities Service had approximately 23,500 employees on December 31, 1969 (including employees in foreign operations), a large number of whom have been with Cities Service 10 years or more. Approximately 40% of these employees are represented by various labor organizations covered by some 126 labor agreements with AFL-CIO affiliated unions, the United Auto Workers, the Teamsters Union or independent unions. In general, good labor relations have prevailed.

Cities Service has various employee benefit programs, including a Thrift Plan which provides eligible employees an opportunity to make systematic savings and retirement plans which provide for life income commencing at the time of retirement. A Qualified Stock Option Plan and an Incentive Compensation Plan are available for officers and certain key employees of Cities Service. There are also available group insurance plans which provide life insurance and medical benefits. The Cities Service benefit plans are reviewed and amended from time to time so that they are competitive with similar plans of other companies in the various fields of Cities Service's operations.

#### COMPETITION

The petroleum industry is highly competitive in all its branches, both domestic and foreign, and competes with other industries in supplying fuel, energy and chemicals. Extensive competition also exists with respect to the petrochemicals, chemicals and metals produced and sold by the Company.

### 5. REGULATION AFFECTING CITIES SERVICE STATE REGULATION

In the states in which the principal oil and natural gas producing properties of Cities Service are located, there are laws in effect providing for the proration of production and the conservation of oil and natural gas under the supervision of regulatory bodies in those states.

In the provinces of Canada in which the principal oil and natural gas producing properties of Cities Service are located, there are similar laws in effect providing for the proration of production and the conservation of oil and natural gas under the supervision of regulatory bodies in those provinces.

In Arkansas, Louisiana and Texas, there is legislation subjecting the transportation of natural gas by pipe line and rates charged for sale of gas to the jurisdiction of regulatory bodies in such states.

#### FEDERAL POWER COMMISSION REGULATION

Under the Natural Gas Act, the Federal Power Commission has jurisdiction over natural gas subsidiaries of the Company as to accounts, records, depreciation, rates and various other matters in so far as such subsidiaries are engaged in the transportation of natural gas in interstate commerce and its sale in interstate commerce for resale for ultimate public consumption. It also has jurisdiction over the sale of gas in interstate commerce by producing subsidiaries for resale and, among other things, regulates the sales price.

#### INTERSTATE COMMERCE COMMISSION REGULATION

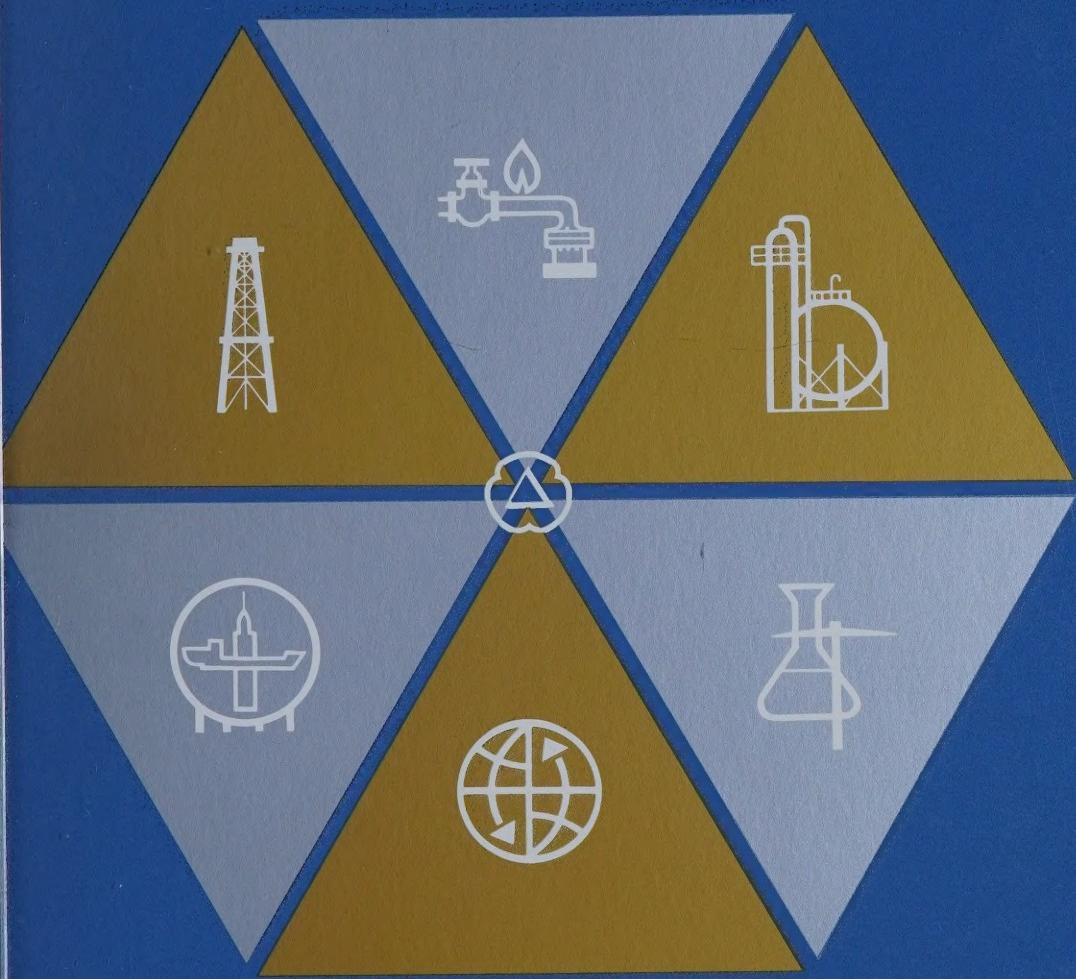
Certain pipe line subsidiaries of the Company transport crude oil in interstate commerce and are subject to regulations as common carriers by the Interstate Commerce Commission pursuant to the provisions of the Interstate Commerce Act.

#### DEPARTMENT OF TRANSPORTATION REGULATION

The Secretary of Transportation administers the provisions of 18 U.S.C. §§ 831-934 as regards the safety of pipelines carrying liquid petroleum and petroleum products. The Department of Transportation

# CITIES SERVICE COMPANY

Annual Report 1969



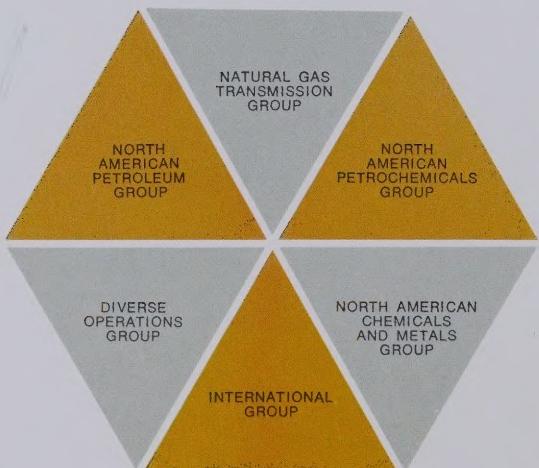
A NATURAL RESOURCE COMPANY

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## **Annual Meeting**

The Annual Meeting of Stockholders of the Company will be held on April 28, 1970 in the Wilcastle Center, 2800 Pennsylvania Avenue, Wilmington, Delaware. Proxies for that meeting will be requested by the Management. Notice of the meeting, proxy statement and form of proxy for that meeting will be mailed to Stockholders under separate cover.



# **CITIES SERVICE COMPANY**

**Annual Report 1969**



### **Cities Service Company**

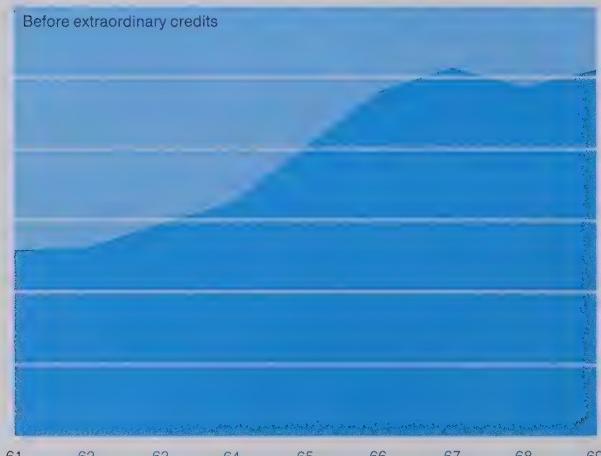
. . . is a natural resource company. International in scope, it is engaged in the broad energy and chemical fields of petroleum, natural gas transmission, carbon black, petrochemicals, plastics, graphic arts, copper, copper products, industrial chemicals, agricultural chemicals and helium. The Company is also active in real estate management and development, tanker fleet operations, and research and development.

### Financial Highlights

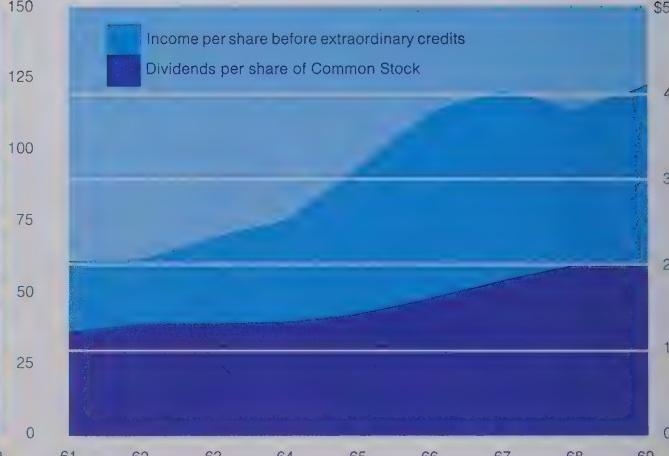
	1969	1968
Sales .....	\$1,561,600,000	1,439,700,000
Income before Extraordinary Credit .....	127,200,000	121,300,000
Net Income .....	133,400,000	121,300,000
Per Share of Common Stock*		
Income before Extraordinary Credit ....	4.11	3.81
Net Income .....	4.31	3.81
Average Shares Outstanding .....	30,900,000	31,800,000
Dividends Paid .....	2.00	2.00
Stockholders' Equity at Year-End .....	45.92	38.63
Return on Stockholders' Average Equity	10.1%	10.1%

\*Assuming conversion of all Preferred and Preference Stocks

Income (Millions of dollars)



Income and Dividends Per Share



## To The Stockholders:

Significant improvement was achieved in all phases of Cities Service Company's operations in 1969. Sales were at a record level of more than \$1.5 billion and earnings were the second highest in history.

The 1969 income from operations totaled \$127.2 million, an increase of 4.9 percent over the \$121.3 million of 1968. Last year's earnings were equal to \$4.11 per share, compared with \$3.81 per share in 1968.

Including an extraordinary credit of \$6.2 million, the 1969 net income totaled \$133.4 million, equal to \$4.31 per share. The extraordinary credit resulted from the sale of Warrants in connection with the \$100 million debenture issue sold to the public last August.

The Company's ownership in Atlantic Richfield Company was reduced by an exchange offer to stockholders. As a result, the number of shares of Common Stock outstanding declined by 11 percent.

Since the offer was in the latter part of 1969, the average number of shares outstanding for the year was reduced slightly to 30.9 million. The full impact of the exchange will be reflected in 1970. Cities Service incurred no tax liability as a result of the exchange.

The Board of Directors increased the dividend on Common Stock to 55 cents per share for the first quarter of 1970 from the 50 cents per share quarterly rate of 1969. The Board's action places the Common Stock dividend on an annual basis of \$2.20 per share. The latest increase is the fifth since the stock was split in 1965.

The gains in sales and earnings reflected substantially increased volume of business in the Company's energy and chemical operations.

Net production of crude oil, natural gas liquids and natural gas again set new records in 1969. Production of petroleum liquids, consisting of crude oil and natural gas liquids, averaged 203,700 barrels per day, up 8 percent.

The outlook for continued growth in oil production is promising. Exploration has been stepped-up, especially in the Gulf of Mexico, offshore Indonesia and on the Alaskan North Slope.

In mid-December, the Company acquired substantial additional acreage in Federal areas off the Louisiana Coast, bidding singly and with

partners. Drilling is underway on a wholly owned 5,000-acre tract adjacent to the Eugene Island oil field. We expect an early evaluation of the potential of this promising acreage.

Drilling will commence before mid-year on the 63,800-square mile Java Sea concession in which the Company has a one-third interest and is the operator.

In Alaska, drilling will start this summer on new acreage that was acquired with partners in the Prudhoe Bay lease sale last fall.

Our position in copper has been enhanced with the discovery of two deposits in proximity to our present mining operations in Arizona. Engineering studies are underway to determine the feasibility of mining both of these prospects.

In our industrial chemicals operations, a \$70 million expansion program is underway at the mining and processing center at Copperhill, Tennessee. Output of products will be increased by 40 percent upon completion in mid-1972.

Our growth in petrochemicals and plastics has been at an accelerated pace. Manufacture of ethylene and propylene, two widely used petrochemical intermediates was at capacity during 1969. Substantially increased capacity for these two intermediates will be completed in 1971.

Of immediate benefit to operations in 1970 will be the completion by mid-year of facilities which will triple the capacity of low density polyethylene resin. A third plant to manufacture molded plastic housewares started operations in 1969 and an existing facility was expanded. The newest plant also produces disposable film bags, an important new consumer product for the Company sold under the Festival brand.

The expansion programs that have been outlined are the highlights of the many new projects that are described in more detail in subsequent pages of this report. The Board of Directors has approved capital expenditures of \$300 million for 1970.

Increasing expenditures are being committed to assure that our facilities meet or exceed standards for environmental controls. As a corporate citizen and as a natural resource company, Cities Service is aware of its responsibilities with respect to air and water conservation.

We are prepared to manufacture automotive

gasoline without tetraethyl lead. This change will require substantial investment in new facilities, ultimately resulting in higher prices to consumers. We believe that a completely satisfactory solution necessitates the joint development of new fuels and new engines.

While prospects for continued growth in 1970 are encouraging, your management is concerned over the effects of continued inflation upon returns on investments. The inflationary pressures resulting from increases in wages, materials, taxes and interest rates will bring a reduction in returns in 1970 unless offset by higher product prices. Every effort is being made to attain greater operating efficiencies to minimize the impact of higher costs on earnings.

Our Federal income taxes will be significantly higher in 1970 as the result of several changes in the tax law. The most significant is the reduction in depletion permitted on petroleum and natural gas from 27½ percent to 22 percent. This imposes an additional financial burden on Cities Service and the petroleum industry. One ultimate result will be to retard the search for additional oil and gas reserves so essential to the security and economic growth of our country.

A revision in the method of regulating imports of petroleum into the United States has been under study by the Federal Government. The Company has made known its position, namely: any major change in import controls would threaten national security and, in the long run, mean higher prices to consumers.

Cities Service has grown rapidly as a broad-based natural resource company. We have expanded our long established operations in petroleum, natural gas, natural gas liquids and petrochemicals. In addition, the Company has diversified into plastics, metals and agricultural and industrial chemicals.

Because of the rate of growth, we have designed a more responsive organization to enable Cities Service to maximize its capabilities and to capitalize on additional opportunities. The new organization, shown on the opposite page, became effective January 1, 1970. Six operating groups have been created within the Company.

Realignment of related functions provides for a more efficient organization permitting greater utilization of our technical and administrative talents. One of the most significant changes was

to place all international operations into a single group. The present organization is sufficiently flexible so that it can be easily revised to meet tomorrow's requirements and opportunities.

Mr. C. J. Waidelich became a member of the Board of Directors last December and was elected Executive Vice President-Operations, effective January 1. In his 18 years with the Company, he has held managerial positions in several operational areas. The operating groups report to Mr. Waidelich.

Mr. E. P. van Marken, a partner in Pierson, Heldring & Pierson, was elected a Director in December. Pierson, Heldring & Pierson is a member of the Amsterdam Stock Exchange and is a leading Netherlands banking firm, with a long established interest in Cities Service.

Mr. George H. Hill, Jr., who had been Executive Vice President, General Counsel and a Director, and Mr. Lyle L. Shepard, formerly Executive Vice President and a Director, retired in 1969. Each made significant contributions to the Company's progress during the period of its most rapid expansion.

The success of any corporation depends in great measure upon the faith of investors, the confidence of customers and the loyalty of employees. The management of Cities Service Company acknowledges with gratitude the support it has received.

Respectfully submitted,



Chairman of the Board



President

March 19, 1970

## CITIES SERVICE COMPANY

STOCK HOLDERS

BOARD OF DIRECTORS



**C. S. MITCHELL**  
Chairman and  
Chief Executive Officer



**J. E. HESTON**  
President and  
Chief Operating Officer



**C. J. WAIDELICH**  
Executive Vice President  
Operations



**R. D. DILLSAVER**  
Manager  
Industrial Relations



**M. F. WIRGES**  
Vice President  
Research and  
Corporate Planning



**B. F. WIAND**  
Vice President  
Public Relations



**C. V. WHEELER**  
General Counsel



**R. V. SELLERS**  
Vice President  
Finance



**K. E. CRENSHAW**  
Group Vice President  
and President  
Cities Service  
Oil Company



**J. W. MORTON**  
President  
Cities Service  
Gas Company



**E. B. BROOKS**  
Group Vice President  
Petrochemicals



**R. R. BURNS**  
Group Vice President  
Chemicals and Metals



**F. H. RAMSEUR, JR.**  
Group Vice President  
and President  
Cities Service  
International Inc.



**W. C. EKHOLM**  
Group Vice President  
Diverse Operations



## NORTH AMERICAN PETROLEUM GROUP

*... conducts exploration, production, refining and marketing of petroleum and natural gas liquids as well as exploration and production of natural gas.*

### **Exploration: Expanded search for oil and gas.**

Cities Service has expanded its exploration activities in areas offering potential for major discoveries.

In Alaska, the Company joined with partners in acquiring 19 tracts involving 48,561 acres in the Prudhoe Bay area offered by the state in the North Slope oil lease sale. Earlier in preparation for the sale, Cities Service took part in a Prudhoe Bay area exploratory well which yielded oil on test. The Company additionally holds 99,600 net acres some 80 miles south of Prudhoe Bay and has filings pending on another 146,800 acres in the same vicinity.

Bidding singly and with partners, Cities Service acquired four tracts totaling 11,875 acres for \$33.8 million in a sale of Federal oil leases off the Louisiana Coast. This included a wholly owned lease on the 5,000-acre Tract 258 near the Eugene Island oil field where drilling operations have been initiated.

Cities Service holds some six million net acres in the Canadian Northwest Territories. Exploratory drilling is underway to evaluate these holdings.

### **Production: Crude oil up 6%; Natural gas increased 4%.**

Domestic and Canadian net crude production reached a new high of 122,100 barrels daily in 1969, a gain of 7,200 barrels over 1968. Net natural gas output rose to 968.8 million cubic feet per day, up 33 million cubic feet over the previous year.

The production rise resulted largely from broadened development of domestic offshore leases. Company net crude oil output from offshore Louisiana and Texas amounted to 21,400 barrels daily while gas production averaged 146.5 million cubic feet per day during 1969. The CAGC group, in which Cities Service has a 25 percent interest, accounted for the largest portion of the increase. Development drilling continued on the 2,000 acre lease in the Santa Barbara Channel off the California Coast in which Cities Service has a three-eighths interest. By year-end, total production averaged 22,800 barrels daily from 61 wells.

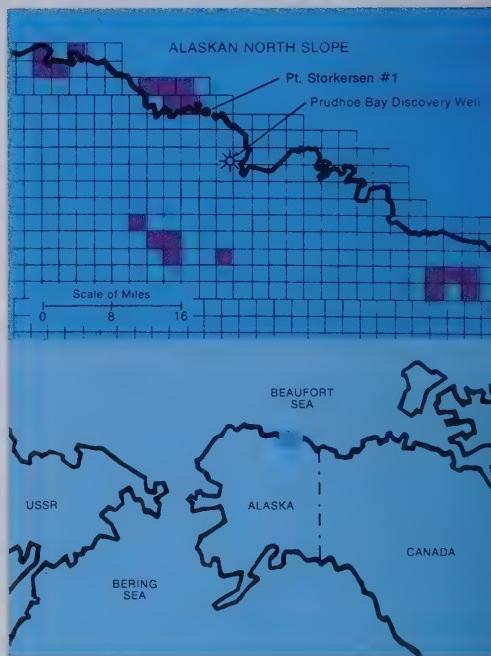
Syncrude Canada, Ltd., in which Cities Service has a 30 percent interest, received approval to construct facilities to produce 80,000 barrels daily of synthetic crude oil and specialty products from the Athabasca oil sands commencing in 1976. The present schedule calls for completion of definitive engineering and economic studies by 1972.

### **Natural Gas Liquids: Production boosted 11%.**

Another high in natural gas liquids production was reached last year as the average output reached 78,500 barrels daily.

Four new gas processing plants were added, bringing the total number of facilities wholly or partly owned to 69. Plans were announced for a 60,000-barrel per day fractionation plant near Houston, Texas. The facility's output will help to supply the requirements of the Lake Charles refining and petrochemical complex and provide opportunities for new petrochemical plants on the Gulf Coast.

The inset (below) pinpoints the 19 joint-interest tracts obtained in Alaska's North Slope lease sale. Exploratory drilling (right) in other promising North American areas adds to oil and gas reserves.





The Company continued to expand its direct marketing program for retail sales in liquefied petroleum gas in selected areas that can be served efficiently. Retail sales rose 50 percent in 1969 to 54.2 million gallons.

#### **Supply and Transportation: Volume gained.**

Crude oil movement through the Company's wholly owned pipeline system totaled 82 million barrels, an increase of 4 percent over 1968. More than 100 miles of gathering lines were added to the system.

In addition, Cities Service owns varying interests in approximately 17,000 miles of crude oil and product pipelines.

#### **Refining: Crude oil throughput rose 14%.**

Crude oil runs at the Lake Charles, Louisiana, and East Chicago, Indiana, refineries averaged 254,000 barrels daily compared with 222,000 barrels per day in 1968.

An expansion program at the Lake Charles refinery increased the plant's crude oil processing capacity by 20,000 barrels to 205,000 barrels a day. Also several new units were added as part of a continuing program to upgrade intermediate streams into more profitable products. A new hydrotreater was placed on stream further reducing the sulfur content of blend oils.

#### **Marketing: Product sales volume increased 14%.**

Sales of refined petroleum products amounted to 253,700 barrels daily in 1969. The growth of 197.5 million gallons in automotive gasoline sales amounted to 12 percent or more than double the industry's average increase. The Company continued to concentrate expansion of CITGO outlets in primary markets in the eastern United States and Great Lakes area which offer the highest profit potential.

In recognition of the Company's program of service station beautification and cleanliness, 38 CITGO dealers won local, state and national awards in 1969. Completion of the first annual "Business for Beauty" contest co-sponsored with the General Federation of Women's Clubs was marked with an awards luncheon in Washington, D. C. This joint program was acclaimed as the most successful "first year" program ever to be sponsored by the General Federation of Women's Clubs.

Natural gas liquids output is constantly monitored with the aid of sophisticated control units (*below*).

A New England service station typifies beautification efforts which make CITGO "A Nice Place To Visit" (*bottom*).





## NATURAL GAS TRANSMISSION GROUP

... operates 7,800 miles of transmission facilities in Kansas, Missouri, Nebraska, Oklahoma and Texas.

### Sales: Topped record set in 1968 by 11%.

The ninth consecutive year of record natural gas sales was achieved in 1969. Interstate sales to 537 mainline industrial customers and distribution companies serving 489 communities totaled 516 billion cubic feet, up from the record volume of 459 billion cubic feet set in 1968.

Additionally, an intrastate transmission subsidiary in Kansas sold 41 billion cubic feet of gas in 1969.

An application was filed with the Federal Power Commission for rate increases to jurisdictional customers totaling some \$16 million annually. The rates went into effect in December, subject to refund, pending FPC approval.

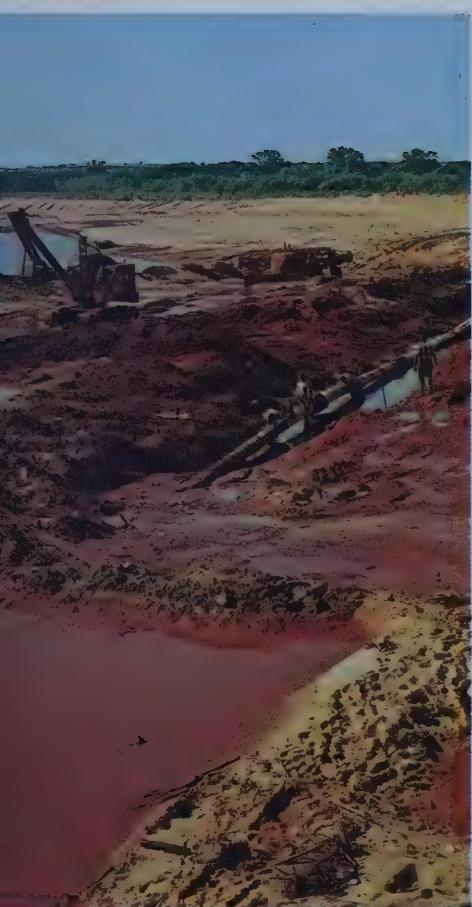
### Expansion: Peak deliverability boosted 5%.

Approximately 65 miles of pipeline and 19,300 compressor horsepower were added to the Company's interstate system in 1969 at a cost of approximately \$14 million. Peak deliverability was increased to 2.3 billion cubic feet daily.

To meet the rising demand from the growing consumer and industrial markets in the five-state area, \$29 million has been earmarked for new construction in 1970.

An application is pending before the FPC for the purchase of an added 150 million cubic feet of gas daily from Transwestern Pipeline Company for a 20-year period and for the construction of 184 miles of pipeline tying in the new reserves to the system.

The Company agreed with an FPC Examiner's finding that a three-year-old proposal to bring natural gas to a portion of Central Missouri was no longer economically feasible. It is hoped that improved economic conditions in the future will permit a new project to be formed.



A new large diameter pipeline fords a river in Kansas as part of the continuing Cities Service program to augment the capacity of its gas transmission system and increase service to customers in the five-state area.



## NORTH AMERICAN PETROCHEMICALS GROUP

*... is responsible for production and marketing of carbon black, pigments, pigments specialties, petrochemicals, plastics and graphic arts.*

### **Carbon Black, Butyl Rubber and Iron Oxides: Sales rose 8%.**

For the sixth successive year domestic and Canadian carbon black sales reached a new high. Several new carbon black products were introduced during the year to meet the changing needs of key industries. A new tire tread carbon black was marketed successfully in the rubber industry while a new series of industrial carbon blacks broadened penetration into the paint and ink markets.

Carbon black sales were further aided by the expansion of existing capacity during 1969. A new plant was placed on stream in Mojave, California, and thermal black output of the North Bend, Louisiana, operation was doubled. The Company's ninth domestic carbon black plant is scheduled to be in operation in Marshall County, West Virginia, by the end of 1970.

Butyl rubber sales achieved a new high reflecting added production from the plant expansion completed in 1968. Sales of Mapico iron oxides also rose substantially:

### **Petrochemicals: Sales volume increased 9%.**

Cities Service maintained maximum production of ethylene and propylene throughout the year to keep pace with continuing growth in market demand—particularly in the Gulf Coast area.

A new facility under construction at the Lake Charles complex will provide an added 500 million pounds of ethylene and 300 million pounds of propylene annually when completed early in 1971.

### **Plastics: Volume up 2%.**

Cities Service capitalized on its position as a fully integrated polyethylene producer and broadened sales in key markets during 1969. Low density polyethylene resin output totaled 78 million pounds and was marketed almost exclusively in the high quality film products area. With a resin shortage forecast for the near future, the Company moved ahead to triple the capacity of the Lake Charles polyethylene resin plant to 220 million pounds by mid-1970.

The Fesco division extended its position as the world's largest plastics housewares producer. A new manufacturing plant at Kankakee, Illinois, provided entry into the expanding market for disposable film bag products. The Tustin, California, plant was enlarged to meet growing market demands for plastics housewares, toys and custom molded specialties. Fesco operates three plants and is a major consumer of polyethylene resin.

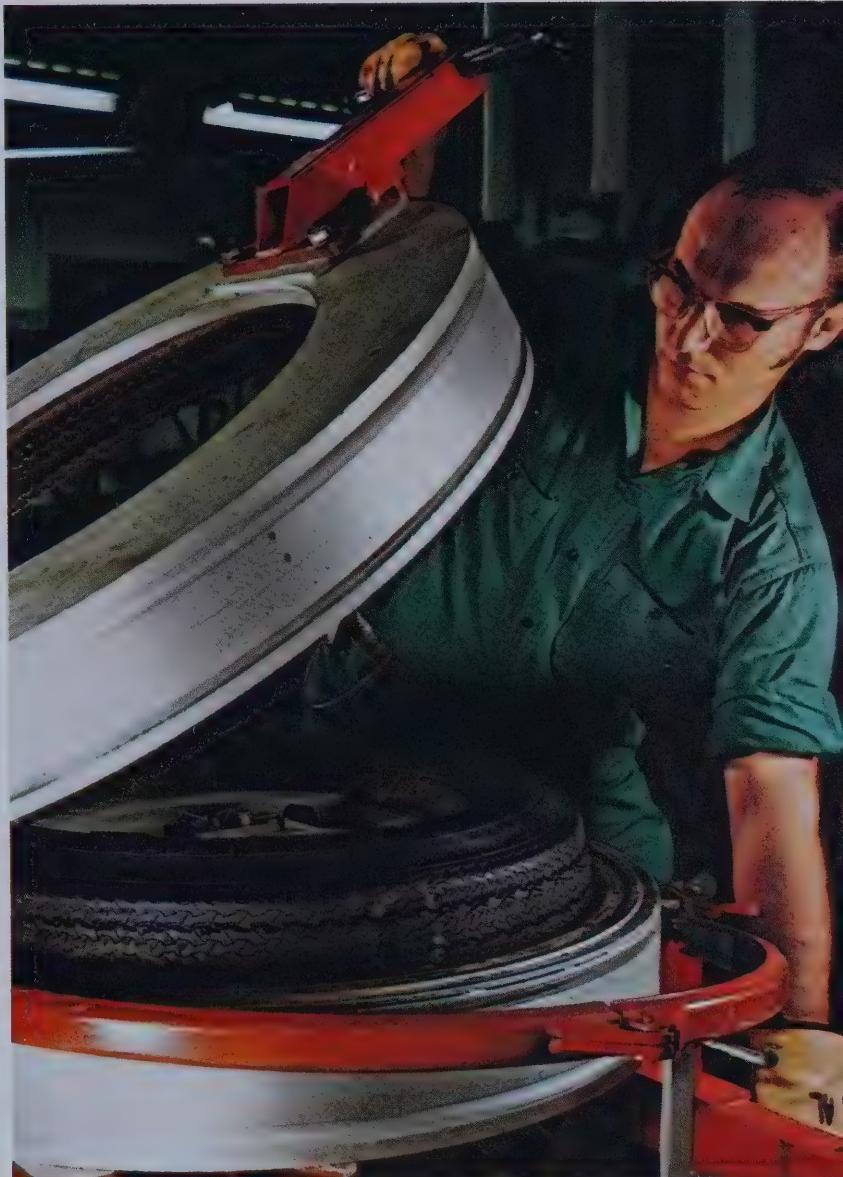
### **Graphic Arts: Record sales achieved.**

Last year's sales in the graphic arts field exceeded the peak performance attained in 1968.

As part of a major expansion program at the Cincinnati, Ohio, plant, the Company completed a new research and development laboratory for printing inks and allied products and is constructing facilities to consolidate raw material supplies used by various satellite plants to formulate printing inks.



Versatile plastic film for the growing disposable bag products market (*left*), and tread carbon blacks for improved tire performance (*below*) are among the many petrochemical products of Cities Service.





## NORTH AMERICAN CHEMICALS AND METALS GROUP

*... manages activities connected with agricultural chemicals, industrial chemicals and metals, including minerals exploration.*

### Agricultural Chemicals: 39 blend plants added.

The nation's leading corporate operator of fertilizer blend plants, Custom Farm Services, Inc. expanded further in prime farm markets. At year-end, C.F.S. had a total of 271 retail blend plants strategically located throughout the Midwest, Southwest and Southeast.

Moreover, C.F.S. augmented its basic products and service lines to broaden farm market penetration with supplementary lines of quality feeds and seeds. Price weakness continued throughout 1969.

### Industrial Chemicals: Sulfuric acid output up 10%.

A \$70 million expansion and modernization of the chemical processing center at Copperhill, Tennessee, is underway. The multi-faceted construction program will increase the facility's current output of sulfuric acid, iron, zinc and copper products some 40 percent when completed in mid-1972. Included in the project is an additional sulfuric acid plant. It will be one of the world's largest operations to convert metallurgical gases to sulfuric acid.

New production records were set for sulfuric acid. However, increased Company consumption held sales to customers to approximately 1968 levels.

Notable sales increases were realized in alum, liquid sulfur dioxide, iron sinter and zinc concentrate.

### Copper: Production gained 18%.

Copper production totaled 43,600 tons in 1969, compared with 36,800 tons in 1968. The primary copper producers' price moved up from 42 cents to 52 cents per pound reflecting strong market demand.

The Copperhill, Tennessee, operations were idled for a three-week period by the first general strike at the plant in 30 years. Except for the stoppage, the Company's mines operated at capacity.

Cities Service copper fabricating plants also bettered the previous year's performance.

### Exploration: Two new copper deposits found.

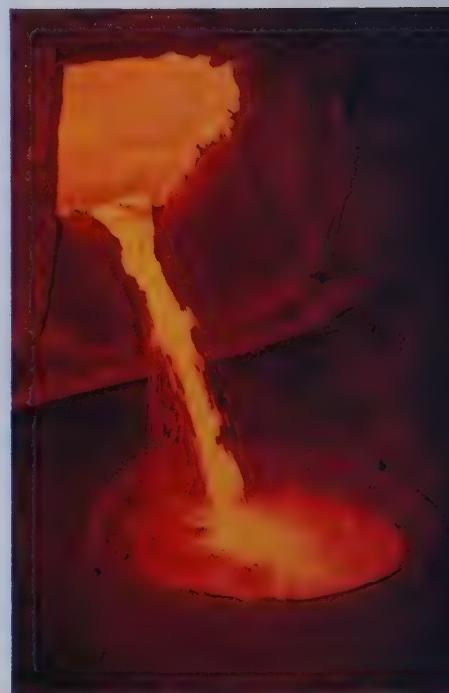
Work is underway to develop two large copper discoveries at Pinto Valley and Miami East near the Company's present Arizona mines.

The Pinto Valley deposit is estimated to contain over 350 million tons of sulfide ore of 0.45 percent copper content and some molybdenum. A study will be completed by mid-year to determine the feasibility of open pit mining and surface facilities to process 40,000 tons of ore daily.

Exploratory drilling of the below-ground Miami East deposit has indicated an orebody averaging 1.35 percent copper at depths ranging from 2,500 to 3,800 feet, and with a thickness varying from 150 to 645 feet.

A Mexican company in which Cities Service has a 34 percent interest, Union Minera del Sur, S.A. de C.V., confirmed the presence of sulfur in two concessions it holds in the Coatzacoalcos area. Exploratory drilling is continuing with commercial development dependent upon the quantity of sulfur found and world market conditions.

Cities Service is actively exploring for copper, sulfur, uranium and other valuable mineral reserves in selected areas.



Copper, a key element in modern living, is produced at major Company plants in Tennessee and Arizona.

Part of the Company's copper output is used by Cities Service to fabricate a wide variety of copper products including insulated wire and cable (*right*). The phosphate-rich earth of central Florida yields the raw material used in the manufacture of fertilizers to increase world food production (*below*).





## INTERNATIONAL GROUP

*... is responsible for overseas activities in petroleum, petrochemicals, chemicals and metals.*

### Exploration: Increased activities in new areas.

International exploration resulted in the first gas discovery off the coast of the Republic of South Africa. The discovery well was drilled on the two-million acre concession by a group in which Cities Service has a 25 percent interest. An evaluation well is being drilled three miles southeast of the discovery.

Test drilling operations are being initiated six miles south of Madura Island in the Java Sea off the Indonesian Coast. The Company is operator and holds a one-third interest in the 63,800-square mile concession area.

In Argentina, Cities Service, as operator for two groups, acquired two exploration permits on 1.75 million acres in the North Mendoza area. The Company has a 25 percent interest in the operations. Seismic studies have been started in preparation for exploratory drilling activities in each area during 1970.

### Production: Crude oil output off slightly.

Colombian crude oil production averaged 2,600 net barrels per day in 1969, compared with 2,700 barrels daily in 1968.

In Argentina, a pressure maintenance program was initiated on acreage under contract with the government-owned oil company. The project increased oil production from a low of 35,000 barrels per day to 45,300 barrels per day in December. This production is not included in the Company's statistics.

### Manufacturing and Marketing: Operations expanded.

International carbon black operations performed strongly in 1969 with sales above the previous year. Expansion programs underway in Holland, Germany and Italy will increase production by 35 percent or 27,000 tons annually. The Company owns six carbon black plants in whole or part outside North America.

Cities Service owns varying interests in many manufacturing operations overseas. These include:

PASA — Petroquimica Argentina, S.A. — operator of a large petrochemical complex at Rosario, Argentina;

COPEBRAS — Companhia Petroquimica Brasileira — a manufacturer of carbon black, sulfuric acid and agricultural chemicals at Cubatão, Brazil.

ASED — Ammoniaque Synthetique et Derives — manufacturer of agricultural and industrial chemicals at Willebroek, Belgium;

CITEX — Cities Service Oil Company of Argentina, S.A. — a marketer of petroleum products in Buenos Aires, Argentina.



The Company's joint interests in the first gas discovery off the South African Coast and in exploration in the Java Sea off Indonesia are detailed in insets.



The Cities Service fleet of sea-going tankers helps supply the nation's and the world's growing energy needs (above). The Company is also a major helium supplier to industry as well as the U.S. Government (right).



#### DIVERSE OPERATIONS GROUP

*...manages activities in other Company interests.*

##### **Helium: Commercial market sales nearly doubled.**

Cities Service established itself as a major commercial supplier of gaseous and liquid helium, capturing some 27 percent of the total industrial use market in 1969. The Company's commercial grade helium sales totaled 111 million cubic feet and its Scott City, Kansas, plant exceeded rated production capacity in the first full year of operation.

Additionally, Cities Service remained a principal supplier of helium to the U.S. Government under long term contract.

##### **Tankers: Marine operations moved 10% more oil.**

Bolstered by increased worldwide demand for petroleum products and an attractive charter market, the fleet of 14 ocean-going tankers registered another successful year of operation. Some 56 million barrels of petroleum and 25,000 long tons of grain were transported in 1969. A fleet of leased sea-going barges carried an additional 13 million barrels of petroleum.

At year-end, "jumboizing" was started on the last small tanker in domestic service. The vessel will have a new capacity of 33,000 tons when conversion is completed late in 1970.

##### **Real Estate: New Atlanta office building opened.**

The Company owns a 50 percent interest in a 13-story office building completed in Atlanta, Georgia in 1969. Three operating groups have offices in this building.

A program to modernize Sixty Wall Tower, the headquarters of Cities Service Company in the heart of New York City's financial district, was commenced in 1969. The renovations are designed to maintain the prestige reputation of the building, which was completed in 1932. The building provides substantial rental income as well as office space for the Company.

Progress is being made in developing several other real estate holdings.

## Financial Review

### Earnings and Dividends

Consolidated net income for 1969 was \$133.4 million, including an extraordinary credit of \$6.2 million resulting from the sale of Warrants.

Income before extraordinary credit in 1969 totaled \$127.2 million, representing a 4.9% improvement over the income for 1968.

Earnings and dividends have reflected growth over recent years as indicated by the per share figures below. The per share earnings are before extraordinary credits and assume conversion of all Preferred and Preference Shares into Common Stock.

Year	Earnings	Dividends on Common Stock
1964	\$2.54	\$1.32½
1965	3.17	1.42½
1966	3.79	1.62½
1967	4.02	1.80
1968	3.81	2.00
1969	4.11	2.00
Current Annual Rate		2.20*

\*In January 1970, the Board of Directors increased the dividend on Common Stock.

### Exchange Offer

In October 1969, an exchange offer to stockholders was consummated which resulted in a reduction of the Company's ownership in Atlantic Richfield Company and a reduction of 3.6 million shares, or 11%, in the number of shares of Cities Service Common Stock outstanding.

The full impact of this exchange will be reflected in future per share results, but it had a relatively small impact in 1969 due to determination of per share results on the basis of average shares.

The exchange was a major factor contributing to an increase of \$7.29 per share in stockholders' equity from \$38.63 at the end of 1968 to \$45.92 at December 31, 1969.

### Financing

To provide for capital requirements, Cities Service Company in August issued \$100 million of 6½% Debentures due in 1999 with Warrants attached for the purchase of 500,000 shares of the Company's holdings of Atlantic Richfield Common Stock. The value assigned to the Warrants, net of applicable deferred income taxes and associated expense, was recorded as an extraordinary credit to income in the amount of \$6.2 million.

Long-term debt at year-end was \$436.7 million, representing an increase of \$88.3 million during the year. Capitalization at December 31, 1969 totaled \$1.7 billion of which 75 percent was stockholders' equity and 25 percent long-term debt.

### Financial Position

The consolidated financial position of the Company at December 31, 1969 is reflected in the accompanying balance sheet. Working capital at year-end was \$290.8 million, including cash and short-term cash investments in the amount of \$137.0 million.

The Company held at year-end an investment of 3.1 million shares of Common Stock of Atlantic Richfield Company, of which 500,000 shares are reserved for the exercise of Warrants. These Warrants are exercisable at a price of \$110 per share and expire September 1, 1972. This investment was reflected in the balance sheet at year-end at a cost of \$23.6 million and had a market

### SOURCE AND APPLICATION OF FUNDS

#### Source

Net income . . . . .
Depreciation and depletion . . . . .
Dry holes and lease cancellations . . . . .
Deferred Federal income taxes . . . . .
Total funds from operations . . . . .
Long-term debt issued . . . . .
Property sales and retirements . . . . .
Total . . . . .

#### Application

Capital expenditures . . . . .
Reduction of long-term debt . . . . .
Cash dividends paid . . . . .
Net increase in treasury stock . . . . .
Reduction in carved-out production . . . . .
Other transactions—net . . . . .
Accumulation (utilization) of working capital . . . . .
Total . . . . .

value at February 20, 1970 of approximately \$200 million. Pursuant to a court order, the Company is required to dispose of this investment by January 3, 1973. The exchange offer previously described resulted in a reduction in 1969 of 1.8 million shares of the Company's holdings of Atlantic Richfield Company Common Stock in accordance with this court order.

The gross investment in property, plant and equipment was \$2.6 billion at the end of 1969. Expenditures for capital investments during the year totaled \$242.8 million.

#### **Convertible Securities**

At December 31, 1969, 165,000 shares of \$4.40 Cumulative Convertible Preferred Stock were outstanding. Each Preferred share is convertible into 3.34 shares of Common Stock. In addition, 473,000 shares of \$2.25 Cumulative Convertible Preference Stock were outstanding. Each Preference share is convertible into 1.818 shares of Common Stock.

#### **Accounting Policies**

**Principles of Consolidation**—The consolidated financial statements include the accounts of Cities Service Company, all domestic subsidiaries and certain foreign subsidiaries. Investments in unconsolidated foreign subsidiaries and 50% owned companies, which companies in the aggregate are not significant, are stated at equity in the underlying net assets with appropriate provision for the possibility of less than full realization of such equity. Cities Service's interest in the current earnings of such companies, less taxes estimated to be payable upon distribution, is included in consolidated income.

**Depreciation**—Generally, depreciation of property, plant and equipment, other than oil and gas production properties, is provided by the straight-line method over the estimated useful life of the properties, with due allowance for salvage.

**Depletion**—The costs of oil and gas properties, consisting of leasehold costs, well drilling and intangible development costs, are recorded in the property accounts. As production occurs, such costs are charged to income in proportion to the depletion of the estimated recoverable oil and gas reserves (the unit-of-production method). For Federal income tax purposes, all intangible development costs are expensed as incurred.

**Nonproducing Leases and Dry Holes**—Costs of nonproducing leaseholds are carried in the property accounts. When a lease is surrendered, the full cost of the lease is charged against income. Dry hole costs are charged against income as they are incurred.

**Property Retirements**—Upon sale or retirement of major items of property, the cost and related accumulated depreciation, depletion, and amortization are eliminated from the account and the resulting gain or loss is reflected in income.

**Deferred Income Taxes**—Certain income and expense items are recorded on one basis for financial accounting purposes and on another basis for income tax purposes. Deferred tax accounting is provided in the financial statements to compensate for significant timing differences, principally depreciation, installment sales, incentive compensation and sale of Warrants re Atlantic Richfield Common Stock.

**Excise Taxes**—The taxes collected for government agencies on the sale of products are not included in the income statement as revenue or expense.

1969	1968
\$133,400,000	121,300,000
105,800,000	100,300,000
16,500,000	20,400,000
18,300,000	6,500,000
274,000,000	248,500,000
105,700,000	—
8,300,000	22,800,000
<u>\$388,000,000</u>	<u>271,300,000</u>
\$242,800,000	215,800,000
31,600,000	33,100,000
60,500,000	61,700,000
2,300,000	5,700,000
11,800,000	—
5,300,000	( 7,400,000)
33,700,000	(37,600,000)
<u>\$388,000,000</u>	<u>271,300,000</u>

## Consolidated Balance Sheet

### Cities Service Company and Subsidiaries

	December 31	December 31
	1969	1968
<b>ASSETS</b>		
Current Assets		
Cash . . . . .	\$ 24,300,000	25,700,000
Short-term cash investments (approximate market value) . . . . .	112,700,000	79,800,000
Accounts and notes receivable, less allowance for doubtful accounts . . . . .	209,300,000	200,000,000
Inventories of petroleum and other products—at cost (principally on last-in, first-out basis) which is lower than market . . . . .	169,000,000	152,800,000
Materials and supplies—at average cost . . . . .	27,800,000	27,500,000
Prepaid expenses (includes \$7,700,000 of deferred Federal income taxes in 1969) . . . . .	20,000,000	11,600,000
Total current assets . . . . .	<u>563,100,000</u>	<u>497,400,000</u>
Investments and Sundry Assets		
Securities of and advances to unconsolidated foreign subsidiaries and 50% owned companies . . . . .	21,600,000	24,000,000
Atlantic Richfield Company Common Stock—at cost (quoted market value at February 20, 1970 approximates \$200,000,000) . . . . .	23,600,000	29,800,000
Other securities and advances . . . . .	24,600,000	26,600,000
Accounts and notes receivable—not current . . . . .	23,200,000	17,500,000
	<u>93,000,000</u>	<u>97,900,000</u>
Property, Plant and Equipment—at cost . . . . .	2,630,400,000	2,453,800,000
Less accumulated depreciation and depletion . . . . .	1,248,200,000	1,182,200,000
	<u>1,382,200,000</u>	<u>1,271,600,000</u>
Deferred Charges (principally unamortized debt discount and expense) . . . . .	<u>27,300,000</u>	<u>5,600,000</u>
	<u><u>\$2,065,600,000</u></u>	<u><u>1,872,500,000</u></u>

See accompanying notes to financial statements

	December 31	December 31
	1969	1968
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities		
Notes payable and long-term debt maturing within one year . . . . .	\$ 32,000,000	56,000,000
Accounts payable and accrued liabilities . . . . .	194,500,000	165,000,000
Federal and foreign income taxes . . . . .	<u>45,800,000</u>	<u>19,300,000</u>
Total current liabilities . . . . .	272,300,000	240,300,000
Long-Term Debt (see schedule on page 21) . . . . .	436,700,000	348,400,000
Other Credits		
Deferred Federal income taxes . . . . .	54,400,000	33,600,000
Proceeds from sale of future production . . . . .	<u>2,500,000</u>	<u>14,300,000</u>
	56,900,000	47,900,000
Minority Interests in Subsidiaries . . . . .	7,300,000	7,400,000
Stockholders' Equity		
Capital stock		
\$4.40 Cumulative Convertible Preferred Stock . . . . .	2,800,000	3,600,000
\$2.25 Cumulative Convertible Preference Stock . . . . .	4,300,000	7,600,000
Common Stock . . . . .	136,400,000	150,300,000
Capital surplus . . . . .	78,000,000	64,400,000
Retained earnings . . . . .	<u>1,093,000,000</u>	<u>1,022,400,000</u>
	1,314,500,000	1,248,300,000
Less Common Stock in treasury—at cost . . . . .	<u>22,100,000</u>	<u>19,800,000</u>
Total stockholders' equity . . . . .	<u>1,292,400,000</u>	<u>1,228,500,000</u>
	<u>\$2,065,600,000</u>	<u>1,872,500,000</u>

## Consolidated Income and Retained Earnings

### Cities Service Company and Subsidiaries

	Year ended December 31	Year ended December 31
<b>CONSOLIDATED INCOME</b>	1969	1968
Gross Income		
Sales and operating income (including sales of purchased crude oil \$312,200,000 in 1969 and \$293,400,000 in 1968) . . . . .	\$1,561,600,000	1,439,700,000
Dividends, interest and miscellaneous income . . . . .	<u>33,300,000</u>	<u>20,900,000</u>
	1,594,900,000	1,460,600,000
Costs and Expenses		
Costs and operating expenses . . . . .	1,087,000,000	991,600,000
Selling, general and administrative expenses . . . . .	<u>144,100,000</u>	<u>136,500,000</u>
Taxes, other than Federal and foreign income taxes . . . . .	<u>46,900,000</u>	<u>45,100,000</u>
Depreciation, depletion, dry holes and lease cancellations . . . . .	<u>122,300,000</u>	<u>120,700,000</u>
Interest expense . . . . .	<u>23,200,000</u>	<u>20,400,000</u>
Federal and foreign income taxes . . . . .	<u>43,500,000</u>	<u>23,800,000</u>
Income applicable to minority interests . . . . .	<u>700,000</u>	<u>1,200,000</u>
	1,467,700,000	1,339,300,000
Income before Extraordinary Credit . . . . .	127,200,000	121,300,000
Extraordinary Credit—sale of Warrants for Atlantic Richfield Common Stock, less deferred income tax of \$6,900,000 (note 2) . . . . .	<u>6,200,000</u>	<u>—</u>
Net Income . . . . .	<u>\$ 133,400,000</u>	<u>121,300,000</u>
Earnings per Share of Common Stock—Preferred and Preference Stocks converted to equivalent Common Shares (note 2)		
Income before extraordinary credit . . . . .	\$4.11	3.81
Extraordinary credit . . . . .	<u>.20</u>	<u>—</u>
Net income . . . . .	<u>\$4.31</u>	<u>3.81</u>

### CONSOLIDATED RETAINED EARNINGS

Amount at beginning of year . . . . .	\$1,022,400,000	962,800,000
Net income . . . . .	133,400,000	121,300,000
Cost of 65,065 shares of treasury stock (less related par value and capital surplus) issued in exchange for properties . . . . .	( 2,300,000)	—
Dividends paid . . . . .	<u>(60,500,000)</u>	<u>(61,700,000)</u>
Amount at end of year . . . . .	<u>\$1,093,000,000</u>	<u>1,022,400,000</u>

See accompanying notes to financial statements

## Consolidated Capital Surplus

	Year ended December 31	Year ended December 31
	1969	1968
<b>CONSOLIDATED CAPITAL SURPLUS</b>		
Amount at beginning of year . . . . .	\$64,400,000	61,700,000
Credit resulting from retirement of 3,634,490 shares of Common Stock received in exchange for Atlantic Richfield Common Stock . . . . .	9,200,000	—
Credit (net) resulting from issuance of 65,065 shares of treasury stock in exchange for properties . . . . .	3,310,000	—
Excess of proceeds over assigned value of stock issued (14,069 shares of Common Stock, 321 shares of Preferred Stock and 8,014 shares of Preference Stock in 1969) on exercise of options . . . . .	1,100,000	2,700,000
Excess of market value over cost of treasury stock (2,307 shares of Common Stock in 1969) issued under incentive compensation plan . . . . .	35,000	23,000
Excess of payments for fractional shares over assigned value thereof arising from conversion of Preferred and Preference Stocks into Common Stock (977 shares in 1969) . . . . .	(45,000)	(23,000)
Amount at end of year . . . . .	<u>\$78,000,000</u>	<u>64,400,000</u>

See accompanying notes to financial statements

## LONG-TERM DEBT MATURING AFTER 1970

Cities Service Company	
6½% Debentures—due 1980 to 1999 . . . . .	\$100,000,000
6½% Debentures—due 1978 to 1997 . . . . .	100,000,000
3% Sinking Fund Debentures due 1971 to 1977 . . . . .	49,800,000
Note payable, 4½%—due 1971 to 1974 . . . . .	3,800,000
	<u>253,600,000</u>
Subsidiaries—other than natural gas transmission companies	
Bonds and debentures, 3.35% to 5½% — due 1971 to 1983 . . . . .	19,400,000
Purchase obligations, 3% to 7%—due 1971 to 1986 . . . . .	900,000
Notes payable, 3½% to 8½%—due 1971 to 1982 . . . . .	114,600,000
	<u>134,900,000</u>
Subsidiaries—natural gas transmission companies	
First mortgage bonds, 3¼% and 4½%—due 1971 to 1977 . . . . .	28,200,000
Notes payable, 8½%—due 1972 . . . . .	20,000,000
	<u>48,200,000</u>
Total . . . . .	<u><u>\$436,700,000</u></u>

Note: The maturities of the foregoing long-term debt are as follows: 1971, \$49,900,000; 1972, \$45,800,000; 1973, \$26,400,000; 1974, \$15,500,000; 1975 to 1999, \$299,100,000

## Notes to Consolidated Financial Statements

### Cities Service Company and Subsidiaries

1. Certain information relative to accounting policies, financing and the Company's investment in Atlantic Richfield Common Stock is presented in the Financial Review section on pages 16 and 17 of this report. The major categories of property, plant and equipment are set forth on page 26.
2. The Company issued \$100,000,000 of 6½% Debentures due 1999 with Warrants (expiring September 1, 1972) attached for the purchase of 500,000 shares of Atlantic Richfield Common Stock at a price of \$110 per share. The value assigned to the Warrants, net of associated expenses and deferred income taxes (computed at ordinary rates) of \$6,900,000 was recorded as an extraordinary credit to income in the amount of \$6,200,000. To the extent the Warrants are exercised such tax liability will be reduced (computed at capital gains rates).

In October, the Company acquired 3.6 million shares of its Common Stock through the exchange offer to stockholders for Atlantic Richfield stock. In the accompanying financial statements these shares were treated as retired pending stockholders' approval at the 1970 Annual Meeting. The excess (\$9,200,000) of the par value of the Company's stock over the cost of the Atlantic Richfield Common Stock was credited to capital surplus.

Earnings per share are based upon the average number of shares outstanding during the year assuming conversion of all Preferred and Preference Stocks. Elimination of the 3.6 million shares of Common Stock received in the above exchange from the computation of the average number of shares outstanding and elimination from net income of the dividends (net of taxes) received on the related Atlantic Richfield shares would have resulted in earnings per share of \$4.65 (\$4.43 per share based upon earnings before extraordinary credit).

3. Under the Company's qualified stock option plan, options may be granted to purchase shares of its Common Stock at prices not less than fair market value at date of grant. The options are exercisable over varying periods commencing twelve to eighteen months after grant. Options issued prior to 1964 expire ten years after grant and those issued subsequently expire five years after grant.

During the year options:	Option Price Per Share
Were granted to purchase 10,000 shares . . .	\$50.13
Became exercisable as to 106,679 shares . . .	31.00-50.06
Were exercised on 14,069 shares . . . . .	25.38-50.06
Were terminated on 4,267 shares	

At year-end there were 333,113 shares under option (276,121 of which were exercisable) at prices ranging from \$25.38 to \$50.13 per share and 340,000 unoptioned shares.

Under various stock plans of companies acquired by Cities Service Company, options were granted to purchase stock; however, no further rights may be granted thereunder. At year-end, assuming 100% conversion, 45,827 shares of Common Stock were subject to purchase at varying prices.

4. The Company and its subsidiaries have several pension plans covering substantially all of their employees. Effective July 1, 1969 the Company amended its principal pension plan to provide for increased employer and decreased employee contributions thereby increasing annual pension expense by approximately \$1,000,000. Total pension expense for the year of \$13,100,000 includes prior service costs, most of which costs are being amortized over a period of years ending in 1996. Pension cost is funded as accrued. Pension fund assets at December 31, 1969 were in excess of the actuarially computed value of vested benefits for all plans as of that date.
5. Approximately \$459,000,000 of consolidated retained earnings at December 31, 1969 were restricted as to the payment of cash dividends under trust indentures and other agreements of the various subsidiaries.
6. Income tax expense includes provision for deferred taxes of \$11,400,000 in 1969 (exclusive of \$6,900,000 applicable to the extraordinary credit) and \$6,500,000 in 1968. Tax expense was reduced by the allowable investment credit of \$6,500,000 in 1969 and \$9,000,000 in 1968.
7. Contractual and contingent liabilities:
  - (a) Minimum annual rentals under noncancelable long-term leases approximate \$13,800,000 (without regard to reduction for related rental income), of which \$3,100,000 pertain to leases which contain options to purchase the underlying properties. A substantial portion of the long-term leases, which relate principally to marketing properties, office buildings and tankers, expires within a period of eleven years.
  - (b) A subsidiary is purchasing under contract and reselling to its customers gas produced from certain properties sold by the Company to an unrelated party in 1963. On June 27, 1968 the Federal Power Commission issued an order reducing, effective as of April 1964, the subsidiary's allowed cost of service with respect to this purchased gas. The order, which relates the adjustment in the subsidiary's rates to the sale of the properties, requires refunds and will also result in reduced future rates. On October 16,

1969 the order was affirmed by the United States Court of Appeals and an appeal to the United States Supreme Court is being prepared. If the order is ultimately sustained, the effect of the order (approximately \$9,000,000 net of taxes, through December 31, 1969) will be accounted for as an adjustment of the profit initially recorded on the sale of the properties.

- (c) The Company and certain subsidiaries have guaranteed debt obligations of approximately \$17,000,000 owed by companies in which substantial stock investments are held. Also, under long-term agreements with certain pipeline companies in which stock interests are held,

the Company and its subsidiaries have agreed to provide minimum revenues for product shipments or purchases. It is not anticipated that any loss will result from such agreements.

- (d) Various suits and claims arising in the ordinary course of business are pending against the Company and its subsidiaries, some of which involve substantial amounts. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the Company, the liabilities which may arise from such actions would not result in losses which would materially affect the financial position of the companies involved.

8. Information on capital stock is as follows:

	<u>Preferred</u>	<u>Preference</u>	<u>Common</u>
Assigned or par value per share . . . . .	\$16.70	\$9.09	\$5.00
Shares authorized . . . . .	258,791	538,566	40,000,000
Shares issued, including in treasury . . . . .	165,566	472,926	27,282,184
Shares in treasury . . . . .	—	—	549,810
Shares reserved for issuance:			
Upon conversion of Preferred Stock . . . . .	—	—	552,990
Upon conversion of Preference Stock . . . . .	—	—	859,779
Under various stock option plans . . . . .	—	25,161	718,940
Shares of Common Stock into which convertible . . . . .	3.34	1.818	—
Value per share:			
Upon call . . . . .	\$104.00(a)	\$52.50(b)	—
Upon liquidation . . . . .	100.00	50.00	—
Aggregate value upon liquidation . . . . .	16,556,000	23,646,000	—
Dividends paid during 1969 . . . . .	\$857,000	\$1,517,000	\$58,123,000

- (a) Callable during 1970, and at reducing amounts thereafter to \$100.00 in 1977.  
 (b) Callable during 1970-1, and at reducing amounts thereafter to \$50.00 in 1980.  
 (c) During 1969, 116,400 Common shares were purchased for treasury at a cost of \$5,113,306, and 840,855 Common shares were issued upon conversion of 51,830 Preferred and 367,833 Preference shares.

**PEAT, MARWICK, MITCHELL & CO.**  
 CERTIFIED PUBLIC ACCOUNTANTS  
 345 PARK AVENUE  
 NEW YORK, NEW YORK 10022

The Board of Directors and Stockholders  
 Cities Service Company

We have examined the consolidated balance sheet of Cities Service Company and subsidiaries as of December 31, 1969 and the related statements of income, retained earnings and capital surplus, and the statement of source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Cities Service Company and subsidiaries at December 31, 1969 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying statement of source and application of funds for the year ended December 31, 1969 presents fairly the information shown therein.

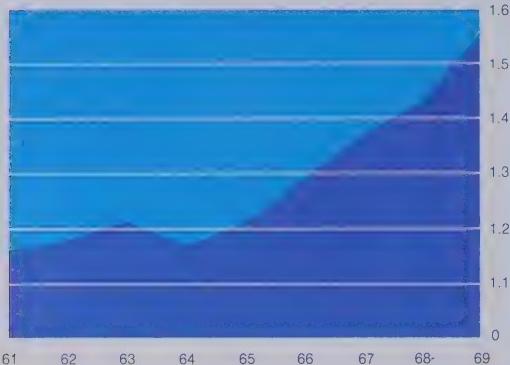
*Peat, Marwick, Mitchell & Co.*

February 20, 1970

## Nine-Year Summary of Consolidated Financial Data

Stated in millions of dollars except per share data

Total Sales (Billions of dollars)



### SALES\*

	1969
North American petroleum*	974.3
Natural gas transmission	138.0
North American petrochemicals	177.5
North American chemicals and metals	183.4
International operations	42.1
Diverse operations and other	46.3
Total	1,561.6

\*Includes sales of purchased crude oil.

### EARNINGS

Income before extraordinary credits	127.2
Extraordinary credits	6.2
Net income	133.4

### EARNINGS PER SHARE OF COMMON STOCK†

Income before extraordinary credits	4.11
Extraordinary credits	.20
Net income	4.31
Average shares outstanding (millions)	30.9
†Assuming conversion of all Preferred and Preference Stocks	

### DIVIDENDS

Preferred Stock requirements	.9
Preference Stock requirements	1.5
Common Stock	58.1
Total	60.5
Per share of Common Stock	2.00

### AMORTIZATION OF PROPERTY COSTS

Depreciation and depletion	105.8
Dry holes	11.5
Lease cancellations	5.0
Total	122.3

### TAXES AND OTHER PAYMENTS TO GOVERNMENT

Charged to income	
Federal and foreign income	43.5
Other	46.9
Sub total	90.4
Excise taxes collected <sup>◊</sup>	145.8
Total	236.2

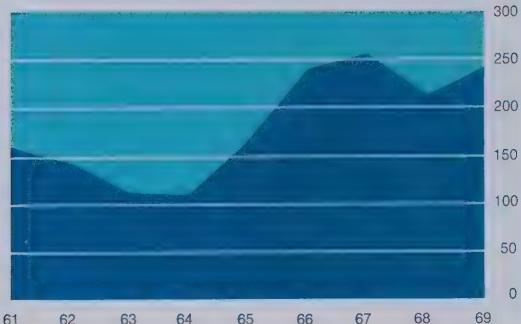
◊ Not included in the income statement  
as revenue or expense

1968	1967	1966	1965	1964	1963	1962	1961
905.7	875.3	826.6	778.7	786.2	849.6	853.3	856.9
123.0	118.1	115.0	107.3	102.2	98.6	82.0	82.1
158.1	145.8	126.6	118.1	105.1	89.0	87.7	80.2
169.4	160.7	159.9	138.5	119.6	117.2	107.9	105.6
39.6	34.2	32.6	32.3	33.9	41.1	33.5	26.8
43.9	40.7	35.3	30.9	23.4	18.4	13.8	9.6
<u>1,439.7</u>	<u>1,374.8</u>	<u>1,296.0</u>	<u>1,205.8</u>	<u>1,170.4</u>	<u>1,213.9</u>	<u>1,178.2</u>	<u>1,161.2</u>
293.4	261.2	198.9	169.3	177.7	197.2	189.1	175.7
121.3	127.8	120.1	100.5	80.9	73.9	65.4	65.0
—	—	21.7	—	—	15.9	—	10.2
<u>121.3</u>	<u>127.8</u>	<u>141.8</u>	<u>100.5</u>	<u>80.9</u>	<u>89.8</u>	<u>65.4</u>	<u>75.2</u>
3.81	4.02	3.79	3.17	2.54	2.32	2.05	2.04
—	—	.68	—	—	.50	—	.32
3.81	4.02	4.47	3.17	2.54	2.82	2.05	2.36
31.8	31.8	31.7	31.7	31.8	31.9	31.8	31.9
1.0	1.4	2.2	3.9	4.7	4.8	4.8	4.8
2.0	2.3	3.0	5.2	7.0	7.8	8.1	8.1
58.7	51.9	44.7	34.9	29.9	28.4	28.1	25.9
61.7	55.6	49.9	44.0	41.6	41.0	41.0	38.8
2.00	1.80	1.62½	1.42½	1.32½	1.30	1.30	1.20
100.3	88.6	88.3	88.0	85.2	86.4	83.0	76.4
11.9	20.0	13.7	13.2	8.0	8.8	9.1	11.2
8.5	8.5	6.8	5.7	8.9	5.7	4.2	4.6
<u>120.7</u>	<u>117.1</u>	<u>108.8</u>	<u>106.9</u>	<u>102.1</u>	<u>100.9</u>	<u>96.3</u>	<u>92.2</u>
23.8	38.8	49.2	29.8	27.6	24.1	28.0	24.9
45.1	41.4	39.3	34.2	33.2	32.9	33.3	31.1
68.9	80.2	88.5	64.0	60.8	57.0	61.3	56.0
141.2	136.0	139.6	140.0	146.6	155.3	146.0	146.7
210.1	216.2	228.1	204.0	207.4	212.3	207.3	202.7

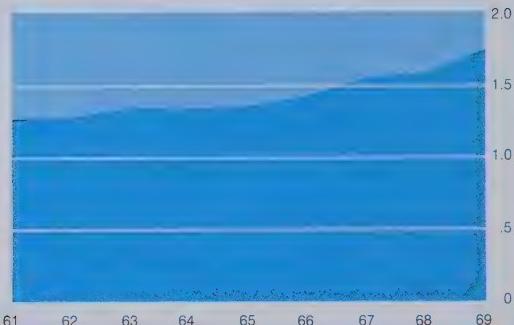
## Nine-Year Summary of Consolidated Financial Data

Stated in millions of dollars

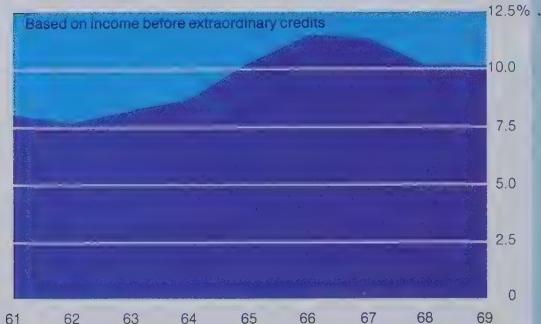
Capital Expenditures (Millions of dollars)



Total Capitalization (Billions of dollars)



Return on Stockholders' Average Equity



### SOURCE AND APPLICATION OF FUNDS

Source		1969
Net income	133.4	
Depreciation, depletion, dry holes and lease cancellations	122.3	
Deferred Federal income taxes	18.3	
Total funds from operations	274.0	
Long-term debt issued	105.7	
Property sales and retirements	8.3	
Total	388.0	
Application		
Capital expenditures	242.8	
Reduction of long-term debt	31.6	
Cash dividends paid	60.5	
Net increase (decrease) in treasury stock	2.3	
Other transactions—net	17.1	
Accumulation (utilization) of working capital	33.7	
Total	388.0	

### CAPITAL EXPENDITURES

North American petroleum	157.2	
Natural gas transmission	14.8	
North American petrochemicals	44.7	
North American chemicals and metals	12.8	
International operations	3.2	
Diverse operations and other	8.8	
Total plant additions	241.5	
Investments	1.3	
Total	242.8	

### PROPERTY, PLANT AND EQUIPMENT

North American petroleum	1,673.8	
Natural gas transmission	311.7	
North American petrochemicals	244.4	
North American chemicals and metals	209.0	
International operations	24.3	
Diverse operations and other	167.2	
Total gross investment	2,630.4	
Accumulated depreciation and depletion	1,248.2	
Total net investment	1,382.2	

### WORKING CAPITAL

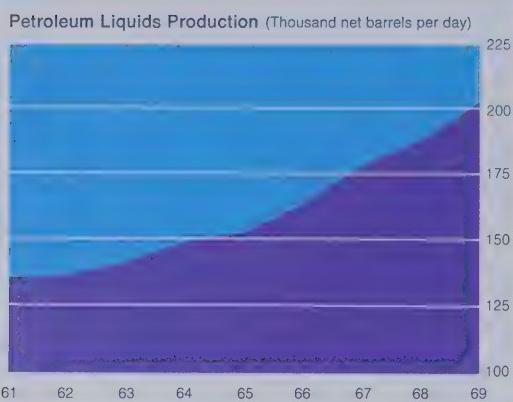
Current assets	563.1	
Current liabilities	272.3	
Working capital	290.8	
Ratio of current assets to current liabilities	2.1	

### CAPITALIZATION

Long-term debt	436.7	
Stockholders' equity	1,292.4	
Total capitalization	1,729.1	
Ratio of long-term debt to capitalization	25.3%	
Return on stockholders' average equity— income before extraordinary credits	10.1%	

1968	1967	1966	1965	1964	1963	1962	1961
121.3	127.8	141.8	100.5	80.9	89.8	65.4	75.2
120.7	117.1	108.8	106.9	102.1	100.9	96.3	92.2
6.5	1.4	(3.5)	(3.1)	6.8	8.3	4.1	8.0
248.5	246.3	247.1	204.3	189.8	199.0	165.8	175.4
—	100.0	25.0	—	—	—	—	—
22.8	28.1	46.8	16.1	43.8	3.5	26.1	23.6
271.3	374.4	318.9	220.4	233.6	202.5	191.9	199.0
215.8	253.7	242.0	168.4	110.3	116.4	143.2	155.5
33.1	37.0	46.8	63.6	44.0	19.3	23.9	22.7
61.7	55.6	49.9	44.0	41.6	39.8	38.5	37.9
5.7	( 2.6)	( .2)	6.8	6.9	( .9)	2.8	1.3
( 7.4)	( 1.9)	(10.0)	( 2.7)	4.2	3.3	( 2.1)	2.3
(37.6)	32.6	( 9.6)	(59.7)	26.6	24.6	(14.4)	(20.7)
271.3	374.4	318.9	220.4	233.6	202.5	191.9	199.0
144.7	161.8	142.7	95.2	76.5	73.8	91.0	86.0
24.4	14.0	11.2	16.8	7.1	7.9	11.2	11.4
17.0	24.2	32.7	7.3	5.0	14.5	7.3	10.3
12.3	29.4	26.7	14.9	7.4	3.7	4.1	23.5
3.2	4.5	16.7	20.4	11.1	4.8	5.8	5.4
11.4	6.6	5.0	2.3	1.1	6.4	12.1	13.4
213.0	240.5	235.0	156.9	108.2	111.1	131.5	150.0
2.8	13.2	7.0	11.5	2.1	5.3	11.7	5.5
215.8	253.7	242.0	168.4	110.3	116.4	143.2	155.5
1,570.1	1,495.1	1,399.0	1,360.9	1,311.2	1,343.3	1,303.5	1,253.0
298.6	276.8	263.8	254.7	240.0	233.9	227.7	218.7
201.1	190.2	167.9	138.5	134.8	128.9	118.0	112.5
196.5	184.9	156.7	130.0	115.7	109.2	114.9	111.1
23.1	20.9	72.5	60.9	43.8	34.6	30.1	44.1
164.4	152.8	145.6	141.7	70.8	71.2	41.6	44.4
2,453.8	2,320.7	2,205.5	2,086.7	1,916.3	1,921.1	1,835.8	1,783.8
1,182.2	1,121.1	1,119.5	1,089.2	998.4	960.4	901.1	851.0
1,271.6	1,199.6	1,086.0	997.5	917.9	960.7	934.7	932.8
497.4	525.5	528.3	536.2	531.8	527.4	552.4	564.4
240.3	230.8	266.2	264.5	200.4	222.6	272.2	269.8
257.1	294.7	262.1	271.7	331.4	304.8	280.2	294.6
2.1	2.3	2.0	2.0	2.6	2.4	2.0	2.1
348.4	381.5	318.5	340.3	379.7	423.7	415.6	439.5
1,228.5	1,171.5	1,094.5	1,001.1	948.1	917.0	865.5	841.0
1,576.9	1,553.0	1,413.0	1,341.4	1,327.8	1,340.7	1,281.1	1,280.5
22.1%	24.5%	22.5%	25.3%	28.6%	31.6%	32.4%	34.3%
10.1%	11.3%	11.4%	10.3%	8.6%	8.2%	7.6%	7.9%

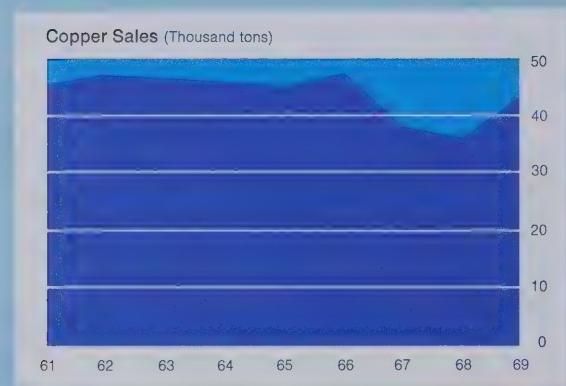
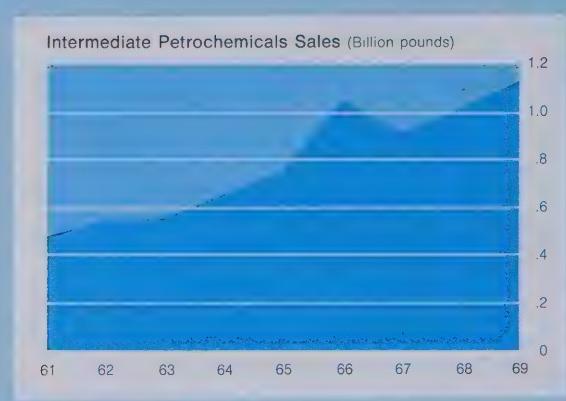
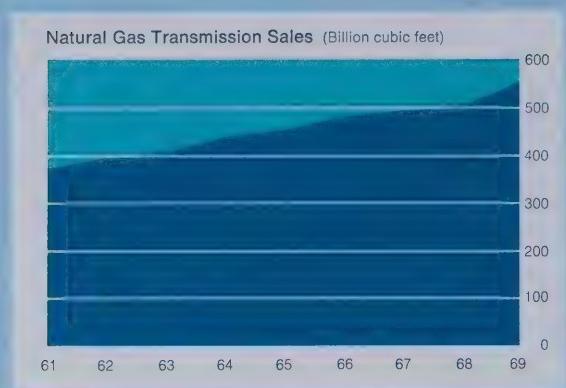
## Nine-Year Summary of Consolidated Operating Data



<b>PETROLEUM</b>	1969
Exploration and Development	
Net acreage held at year-end	
Domestic . . . . .	5,039,000
Canada . . . . .	6,796,000
International . . . . .	19,155,000
Net wells completed	
Oil . . . . .	81
Gas . . . . .	26
Dry . . . . .	59
Total wells completed . . . . .	166
Net wells producing at year-end	
Oil . . . . .	6,071
Gas . . . . .	2,191
Production	
Crude oil—net barrels per day	
Texas . . . . .	48,400
Louisiana . . . . .	25,500
Kansas . . . . .	16,200
Oklahoma . . . . .	10,800
California . . . . .	5,600
New Mexico . . . . .	3,300
Other states . . . . .	3,900
Canada . . . . .	8,400
International . . . . .	2,600
Total crude oil . . . . .	124,700
Natural gas liquids . . . . .	79,000
Total petroleum liquids . . . . .	203,700
Natural gas—net Mcf per day . . . . .	970,900
Refining	
Crude runs to stills—barrels per day	
Company account . . . . .	228,000
Processed for others . . . . .	26,000
Total crude runs to stills . . . . .	254,000
Marketing	
Petroleum products sold—barrels per day	
Gasoline . . . . .	126,100
Distillates . . . . .	87,400
Natural gas liquids . . . . .	80,700
Others . . . . .	43,800
Total petroleum products sold . . . . .	338,000
Service station outlets at year-end . . . . .	9,500

1968	1967	1966	1965	1964	1963	1962	1961
4,637,000	5,248,000	6,277,000	6,605,000	6,604,000	6,676,000	6,716,000	5,931,000
5,323,000	5,413,000	5,726,000	4,562,000	1,644,000	1,843,000	1,895,000	1,814,000
20,925,000	18,812,000	7,030,000	4,230,000	1,433,000	2,563,000	5,079,000	28,910,000
89	96	116	136	165	174	229	255
30	46	47	60	60	80	92	68
43	71	68	114	79	98	117	104
<u>162</u>	<u>213</u>	<u>231</u>	<u>310</u>	<u>304</u>	<u>352</u>	<u>438</u>	<u>427</u>
6,701	6,660	6,956	7,390	7,195	7,324	7,488	7,520
2,027	2,153	2,102	2,140	2,480	2,475	2,807	2,751
47,500	45,600	43,000	40,200	41,300	39,300	37,900	36,600
21,400	16,900	14,300	12,000	11,200	10,900	10,300	9,700
17,600	19,300	21,300	21,500	21,900	23,400	25,000	24,700
11,000	10,900	10,700	9,900	9,700	9,500	9,300	8,800
1,400	—	—	—	—	—	—	—
3,300	3,700	3,600	3,800	4,200	4,000	4,300	4,400
4,200	4,500	3,800	2,900	2,800	3,000	3,200	2,900
8,500	9,000	9,700	9,700	9,600	9,600	9,500	9,800
2,700	3,000	3,300	3,700	4,400	4,900	1,400	100
<u>117,600</u>	<u>112,900</u>	<u>109,700</u>	<u>103,700</u>	<u>105,100</u>	<u>104,600</u>	<u>100,900</u>	<u>97,000</u>
71,100	66,700	55,000	49,500	44,900	38,300	37,800	39,300
188,700	179,600	164,700	153,200	150,000	142,900	138,700	136,300
936,000	881,900	822,100	819,100	853,400	876,500	884,600	842,300
199,000	206,000	239,000	252,000	259,000	270,000	272,000	276,000
23,000	16,000	25,000	25,000	6,000	4,000	6,000	1,000
<u>222,000</u>	<u>222,000</u>	<u>264,000</u>	<u>277,000</u>	<u>265,000</u>	<u>274,000</u>	<u>278,000</u>	<u>277,000</u>
108,100	116,100	130,400	136,700	146,200	154,300	158,900	161,000
82,100	84,100	90,400	87,400	87,000	91,000	89,100	95,500
72,400	66,500	57,000	52,400	45,600	44,200	42,000	38,000
34,400	35,300	42,200	42,500	55,200	58,500	48,000	47,500
<u>297,000</u>	<u>302,000</u>	<u>320,000</u>	<u>319,000</u>	<u>334,000</u>	<u>348,000</u>	<u>338,000</u>	<u>342,000</u>
9,800	10,600	11,100	13,500	14,200	14,800	15,300	15,500

## Nine-Year Summary of Consolidated Operating Data



### NATURAL GAS TRANSMISSION

Sales—billion cubic feet	1969
For ultimate residential use . . . . .	206
For ultimate industrial use . . . . .	351
Total sales . . . . .	557

### PETROCHEMICALS

Sales—thousand pounds	
Ethylene . . . . .	397,700
Butadiene . . . . .	149,100
Propylene . . . . .	359,900
Others . . . . .	221,800
Total intermediates sales . . . . .	1,128,500
Butyl rubber . . . . .	62,400
Plastics and related products . . . . .	174,600
Carbor black and related products . . . . .	622,300
Printing inks and related products . . . . .	84,600

### CHEMICALS AND METALS

Sales—tons	
Sulfuric acid . . . . .	1,062,100
Water treating chemicals . . . . .	60,300
Other industrial chemicals . . . . .	125,300
Copper . . . . .	43,900
Iron sinter . . . . .	601,200
Zinc concentrates . . . . .	21,700
Agricultural chemicals . . . . .	1,543,600
Fertilizer blending plants at year-end . . . . .	271
Phosphate rock mined—thousand tons . . . . .	1,290

### DIVERSE OPERATIONS

Marine	
Ocean tankers operated at year-end . . . . .	14
Deadweight tonnage . . . . .	575,661
Helium sales—thousand cubic feet	
Government . . . . .	707,117
Others . . . . .	111,327
Total helium sales . . . . .	818,444

### OTHER DATA

Number of employees at year-end . . . . .	23,500
Number of stockholders at year-end	
Common . . . . .	129,537
Preferred and Preference . . . . .	7,510
Total stockholders . . . . .	137,047
Number of shares outstanding at year-end	
Common . . . . .	27,282,184
Less: Common Stock held in treasury . . . . .	549,810
Total . . . . .	26,732,374
Preferred . . . . .	165,566
Preference . . . . .	472,926

1968	1967	1966	1965	1964	1963	1962	1961
196	192	191	179	175	168	168	163
305	306	296	273	265	238	226	214
501	498	487	452	440	406	394	377

381,100	433,200	385,200	299,500	225,200	246,500	276,400	232,600
141,500	123,100	158,600	135,500	132,600	144,700	151,200	142,900
311,700	269,500	285,700	212,400	178,800	108,500	72,600	49,100
182,200	91,500	213,400	117,200	113,000	67,100	60,800	40,300
1,016,500	917,300	1,042,900	764,600	649,600	566,800	561,000	464,900
39,100	43,700	43,600	38,000	17,300	1,000	—	—
183,100	133,400	51,300	50,400	43,400	48,200	41,100	—
595,800	528,800	518,600	475,700	467,300	449,200	446,400	415,900
85,200	81,900	81,500	76,300	73,700	70,300	63,500	61,200

1,114,400	976,300	945,600	888,000	905,300	884,800	875,600	861,600
58,300	53,700	51,800	52,000	45,300	37,200	35,500	35,600
108,300	97,400	113,700	104,400	113,000	109,700	113,000	104,900
36,800	37,200	47,100	44,800	45,700	46,700	46,800	45,800
449,300	440,000	643,100	687,400	741,100	689,300	413,300	487,000
17,300	21,900	22,300	23,000	21,300	17,800	20,600	19,400
1,380,800	1,413,900	1,514,000	1,360,200	1,328,300	1,213,300	1,089,200	976,700
232	208	83	27	—	—	—	—
1,008	342	—	—	—	—	—	—

15	15	15	15	15	15	15	16
609,935	605,023	591,007	591,007	591,007	591,007	533,072	540,601
759,436	729,167	706,169	628,681	484,545	74,105	—	—
52,730	1,485	120	—	—	—	—	—
812,166	730,652	706,289	628,681	484,545	74,105	—	—

23,100	23,400	21,700	21,100	21,300	23,300	23,700	24,100
137,807	141,746	139,398	134,201	145,579	147,841	152,101	156,027
9,125	10,164	11,592	14,180	18,320	18,927	21,037	22,731
146,932	151,910	150,990	148,381	163,899	166,768	173,138	178,758
30,061,750	29,582,821	28,837,561	27,046,195	23,375,842	22,410,044	21,707,778	21,707,778
500,782	379,837	449,586	457,064	286,044	108,520	159,600	48,800
29,560,968	29,202,984	28,387,975	26,589,131	23,089,798	22,301,524	21,548,178	21,658,978
217,075	272,363	368,309	607,327	1,044,384	1,088,061	1,094,320	1,088,489
832,745	946,689	1,158,571	1,684,348	2,829,194	3,251,432	3,614,467	3,612,598

## BOARD OF DIRECTORS

(As of January 1, 1970)

- \*CHARLES S. MITCHELL  
*Chairman of the Board and Executive Committee  
and Chief Executive Officer,  
Cities Service Company*
- \*J. EDGAR HESTON  
*President and Chief Operating Officer,  
Cities Service Company*
- EDWIN B. BROOKS  
*Group Vice President—Petrochemicals,  
Cities Service Company*
- WALTER L. BROWN  
*Former General Counsel,  
Western Electric Company*
- ROY R. BURNS  
*Group Vice President—Chemicals & Metals,  
Cities Service Company*
- KIRBY E. CRENSHAW  
*Group Vice President—Petroleum,  
Cities Service Company;  
President,  
†Cities Service Oil Company*
- \*JAMES P. FARRELL  
*Senior Partner,  
Frueauff, Farrell, Sullivan & Bryan*
- \*THOMAS S. GATES  
*Chairman of the Executive Committee,  
Morgan Guaranty Trust Company of New York*
- \*CLIFFORD W. MICHEL  
*Chairman and Treasurer,  
Dome Mines Limited;  
General Partner,  
Loeb, Rhoades & Co.*
- JOHN W. MORTON  
*President,  
†Cities Service Gas Company*
- \*HENRY L. O'BRIEN  
*Former General Counsel,  
Cities Service Company*
- H. I. ROMNES  
*Chairman of the Board,  
American Telephone and Telegraph Company*
- \*EMIL SCHRAM  
*Chairman of the Board,  
Valley Farms, Inc.*
- \*ROBERT V. SELLERS  
*Vice President—Finance,  
Cities Service Company*
- EVERT P. VAN MARKEN  
*Partner,  
Pierson, Heldring & Pierson*
- CHARLES J. WADELICH  
*Executive Vice President—Operations,  
Cities Service Company*
- \*CHARLES V. WHEELER  
*General Counsel,  
Cities Service Company*

\*Member of Executive Committee  
†Subsidiary Company

## OTHER OFFICERS

- WESLEY C. EKHOLM  
*Group Vice President—Diverse Operations*
- FRED H. RAMSEUR, JR.  
*Group Vice President—International*
- BURTON F. WIAND  
*Vice President—Public Relations*
- M. F. WIRGES  
*Vice President—Research & Corporate Planning*
- PARK HOLLAND, JR.  
*Secretary and Assistant General Counsel*
- HAROLD E. PLATT  
*Treasurer*
- PHILIP J. REILLY  
*Controller*

### Executive Offices

60 Wall Street, New York, New York 10005

### Attorneys

Frueauff, Farrell, Sullivan & Bryan, New York

### Auditors

Peat, Marwick, Mitchell & Co., New York

### Transfer Agents

#### Common Stock

The Company's Office, New York  
Old Colony Trust Company, Boston  
Continental Illinois National Bank  
and Trust Company of Chicago  
The First Jersey National Bank, Jersey City

#### Preferred Stock

Morgan Guaranty Trust Company of New York

#### Preference Stock

The Chase Manhattan Bank, N.A., New York

### Registrars

#### Common Stock

Morgan Guaranty Trust Company of New York  
State Street Bank and Trust Company, Boston  
Harris Trust and Savings Bank, Chicago

#### Preferred Stock

Manufacturers Hanover Trust Company, New York

#### Preference Stock

The Bank of New York

Printed in U.S.A./Inks supplied by  
the Levey Division of Cities Service.



The landmark 60 Wall Tower Building  
in the heart of New York City's financial district  
is headquarters for Cities Service Company's  
worldwide business interests.



**CITIES SERVICE COMPANY**  
A Natural Resource Company

has similar responsibilities under 49 U.S.C. §§ 1671-1684 regarding the safety of pipelines gathering and transporting natural gas.

#### DEPARTMENT OF THE INTERIOR

The operations of Cities Service Company as a lessee from the United States on the Outer Continental Shelf are subject to regulation by the United States Department of the Interior under the Outer Continental Shelf Lands Act. Recently, the Department of the Interior issued regulations imposing absolute liability upon lessees for cost of cleanup and for damages from pollution resulting from a lessee's operations.

## 6.

### DESCRIPTION OF STOCK OF CITIES

A summary of the Preferred Stock, Preference Stock and Common Stock of Cities is set forth below and is taken from Article FOURTH of the Certificate of Incorporation of Cities. The summary relating to the Common Stock also summarizes certain provisions of the Indenture dated as of January 1, 1947 (the "Indenture") between Cities and Guaranty Trust Company of New York (now Morgan Guaranty Trust Company of New York), as Trustee, under which Cities' 3% Sinking Fund Debentures due 1977 (the "Debentures") were issued. The information below is qualified in its entirety by such references. Such summaries are exclusive of statute.

The Preferred Stock and Preference Stock are listed on the New York Stock Exchange and the Common Stock is listed on the New York, Boston and Midwest Stock Exchanges and is also traded on the Cincinnati, Detroit, Pacific Coast, Philadelphia-Baltimore-Washington and Pittsburgh Stock Exchanges.

#### \$4.40 CUMULATIVE CONVERTIBLE PREFERRED STOCK, WITHOUT PAR VALUE

*Dividend Rights.* The holders of the Preferred Stock are entitled to receive, prior to the payment of any dividends on the Preference Stock and Common Stock for the corresponding period, cumulative cash dividends at the rate of \$4.40 per share per annum, when and as declared, payable quarterly in the months of March, June, September and December of each year.

*Voting Rights.* Each holder of the Preferred Stock is entitled to two votes for each share held. Except as set forth below, the Preferred Stock, Preference Stock and Common Stock will vote together as one class.

*Special Voting Rights.* If dividends are in arrears on the Preferred Stock in an aggregate amount at least equal to six quarterly dividends, then in such event the holders of the Preferred Stock voting as a class will be entitled to elect two additional directors until all arrears in dividends have been paid and dividends on the current quarterly period have been declared or paid. Consent of the holders of at least two-thirds of the Preferred Stock is necessary to:

- (a) authorize any stock ranking prior to or convertible into the Preferred Stock;
- (b) amend, alter or repeal any of the Preferred Stock provisions;
- (c) sell, lease or convey all, or substantially all, of Cities' property or business, or voluntarily liquidate; or
- (d) merge or consolidate, unless the survivor after the merger or consolidation will have no stock either authorized or outstanding (except such stock of Cities as may have been authorized or outstanding immediately preceding such merger or consolidation, or such stock of the resulting or surviving corporation as may be issued in exchange therefor) ranking prior to the Preferred Stock.

*Liquidation Rights.* Upon any voluntary or involuntary liquidation, dissolution or winding up, before any distribution shall be made to any other class of stock, the holders of the Preferred Stock shall be entitled to receive \$100 per share plus all accrued and unpaid dividends. Reference is made to the statements under the sub-caption "Liquidation Value and Stated Value" set forth hereafter under this caption for a statement regarding the difference between liquidation value and stated value of the Preferred Stock.

*Redemption Provisions.* The Preferred Stock is callable for redemption at any time prior to January 1, 1971, in whole or in part, at the option of Cities on 30 days' notice at the redemption price of \$104 per share, together with any accrued and unpaid dividends thereon to the date of redemption. On and after January 1, 1971, the redemption price reduces \$1.00 per share during each two-year period until December 31, 1976, and on and after January 1, 1977, the redemption price is \$100 per share, together with, in each case, any accrued and unpaid dividends thereon to the date of redemption.

*Conversion Rights.* Each share of the Preferred Stock is convertible into Common Stock at the rate of 3.34 shares of Common Stock for each share of Preferred Stock. To protect against dilution the conversion rate is subject to adjustment in the event of issuance of Common Stock at less than \$30.50 per share or the creation of an obligation to issue Common Stock at less than \$30.50 per share on other convertible securities outstanding (except for the issuance, on or after January 2, 1962, of 650,000 shares of Common Stock reserved for issuance pursuant to the Qualified Stock Option Plan of Cities), subdivisions of outstanding Common Stock, stock dividends, or a recapitalization, consolidation or merger. No adjustment in respect of dividends will be made upon conversion. No fractional shares will be issued, but any fractions shall be adjusted in cash, unless the Board of Directors of Cities shall determine to adjust them by the issuance of fractional scrip certificates or in some other manner. The dollar or share figures in this paragraph have been adjusted to reflect the two-for-one split of the Common Stock of Cities in 1965.

*General.* The Preferred Stock is not liable for further calls or subject to assessment.

#### \$2.25 CUMULATIVE CONVERTIBLE PREFERENCE STOCK, WITHOUT PAR VALUE

*Dividend Rights.* Subject to the preferential rights of the Preferred Stock, the holders of the Preference Stock are entitled to receive, prior to the payment of any dividends on the Common Stock for the corresponding

period, cumulative cash dividends at the rate of \$2.25 per share per annum, when and as declared, payable quarterly in the months of March, June, September and December of each year.

**Voting Rights.** Each holder of the Preference Stock is entitled to two votes for each share held. Except as set forth below and except as set forth above as to the special voting rights of the Preferred Stock, the Preferred Stock, Preference Stock and Common Stock will vote together as one class.

**Special Voting Rights.** If dividends are in arrears on the Preference Stock in an aggregate amount at least equal to six quarterly dividends, then in such event the holders of the Preference Stock voting as a class will be entitled to elect three additional directors until all arrears in dividends have been paid and dividends on the current quarterly period have been declared or paid.

Consent of the holders of at least two-thirds of the Preference Stock is necessary to authorize or increase the authorized number of shares of stock ranking prior to the Preference Stock or to alter, change or repeal the voting powers or designations, preferences or relative, participating, optional, or other special rights of the Preference Stock or any preferences or rights which might adversely affect the Preference Stock.

Consent of the holders of at least a majority of the Preference Stock is necessary to increase the authorized number of shares of Preference Stock or to authorize or increase the authorized number of shares of any stock ranking on a parity with the Preference Stock or for effecting or validating the sale, lease or conveyance of all or substantially all of Cities' property or business, or for the voluntary liquidation, dissolution or winding up of Cities, or the merger or consolidation of Cities unless the survivor after the merger or consolidation will have no stock either authorized or outstanding (except such stock of Cities as may have been authorized or outstanding immediately preceding such merger or consolidation, or such stock of the resulting or surviving corporation as may be issued in exchange therefor) ranking prior to the Preference Stock.

However, irrespective of the foregoing, the number of votes per share of the Preferred Stock may be increased from two votes per share to four votes per share with the consent of only at least a majority of the holders of the Preference Stock and Common Stock, voting together as one class, and the requisite consent of the Preferred Stock.

**Liquidation Rights.** Upon any voluntary or involuntary liquidation, dissolution or winding up, after distribution to the holders of the Preferred Stock of \$100 per share plus all accrued and unpaid dividends and before any distribution shall be made to the Common Stock, the holders of the Preference Stock shall be entitled to receive \$50 per share plus all accrued and unpaid dividends. Reference is made to the statements under the sub-caption "Liquidation Value and Stated Value" set forth hereafter under this caption for a statement regarding the difference between liquidation value and stated value of the Preference Stock.

**Redemption Provisions.** The Preference Stock is callable for redemption on and after January 1, 1970 and prior to January 1, 1972, in whole or in part, at the option of Cities on 30 days' notice at the redemption price of \$52.50 per share, together with any accrued and unpaid dividends thereon to the date of redemption. On and after January 1, 1972, the redemption price reduces 50¢ per share during each two-year period until December 31, 1979, and on and after January 1, 1980, the redemption price is \$50 per share, together with, in each case, any accrued and unpaid dividends thereon to the date of redemption.

**Conversion Rights.** Each share of the Preference Stock is convertible into Common Stock at the rate of 1.818 shares of Common Stock for each share of Preference Stock. To protect against dilution, the conversion rate is subject to adjustment in the event of issuance of Common Stock at less than \$27.50 per share or the creation of an obligation to issue Common Stock at less than \$27.50 per share on other convertible securities outstanding other than the Preferred Stock (except for the issuance on or after March 15, 1963, of 647,800 shares of Common Stock reserved for issuance pursuant to the Qualified Stock Option Plan of Cities), subdivisions of outstanding Common Stock, stock dividends, or a recapitalization, consolidation or merger. No adjustment in respect of dividends will be made upon conversion. No fractional shares will be issued, but any fractions shall be adjusted in cash, unless the Board of Directors of Cities shall determine to adjust them by the issuance of fractional scrip certificates or in some other manner. The dollar or share figures in this paragraph have been adjusted to reflect the two-for-one split of the Common Stock of Cities in 1965.

**General.** The Preference Stock is not liable for further calls or subject to assessment.

#### COMMON STOCK, \$5 PAR VALUE

**Dividend Rights.** Subject to the preferential rights of the Preferred Stock and Preference Stock, the Board of Directors of Cities may declare and Cities may pay dividends on the Common Stock out of any surplus or net profits legally available therefor. However, the Indenture provides that, so long as any of the Debentures are outstanding, Cities will not declare or pay any cash dividends on the Common Stock except out of the earned surplus accumulated subsequent to December 31, 1946, computed and adjusted as therein provided. The earned surplus of Cities and of Cities and subsidiaries as of December 31, 1969 was \$1,093,000,000, of which approximately \$459,000,000 was restricted as to the payment of cash dividends.

**Voting Rights.** The holders of the Common Stock are entitled to one vote for each share held and vote together with the holders of the Preferred Stock and Preference Stock and with the holders of any other stock given the similar right to vote, as one class, for the election of Directors of Cities and for all other purposes, except as set forth above as to the special voting rights of the Preferred Stock and Preference Stock.

**Liquidation Rights.** In the event of liquidation there shall be distributed to the holders of the Common Stock the assets remaining after all payments due have been made to the holders of the then outstanding shares of Preferred Stock and Preference Stock.

**General.** The Common Stock is not subject to redemption, has no conversion rights and is not liable to further calls or to assessment. The only restriction on the repurchase by Cities of its Common Stock is that funds or property of Cities cannot be used for such purpose when such use would cause any impairment of its capital.

## PRE-EMPTIVE RIGHTS

The right of any holder of Preferred Stock, Preference Stock or Common Stock to subscribe for new additional shares thereof shall be as the Board of Directors of Cities shall determine and no such holder shall have any such right unless expressly granted by the Board of Directors of Cities.

## LIQUIDATION VALUE AND STATED VALUE

The Preferred Stock and Preference Stock are no par value stocks. Upon liquidation, the Preferred Stock shall be entitled to receive \$100 per share plus all accrued and unpaid dividends. The stated value of the Preferred Stock is \$16.70 per share. Upon liquidation, the Preference Stock shall be entitled to receive, after distribution to the holders of the Preferred Stock, \$50 per share plus all accrued and unpaid dividends. The stated value of the Preference Stock is \$9.09 per share. As a result thereof, the liquidation values of the Preferred and Preference Stocks exceed the stated values thereof by \$83.30 and \$40.91, respectively, which differences, based upon the number of shares outstanding at December 31, 1969 aggregate \$33,100,000. In the opinion of counsel for Cities, the capital of Cities is the aggregate par value of the issued Common Stock plus the stated value of the Preferred Stock and Preference Stock, with the excess of the total net assets of Cities over the amount determined to be capital being surplus; there are no restrictions upon surplus by reason of the liquidation values of the Preferred Stock or the Preference Stock over their stated values; and there are no remedies available to any security holders before or after payment of any dividends that would reduce surplus to an amount less than the amount of such excess. The capital attributable to Common Stock and capital surplus at December 31, 1969, which is not available for the payment of dividends, aggregates approximately \$192,000,000. In the opinion of Cities, upon any liquidation, the proceeds received from such liquidation would be in excess of the stated value of the assets of Cities on its books by an amount more than sufficient to cover the difference between the figures set forth under this sub-caption.

## 7. SHARES ISSUED DURING THE PAST TEN YEARS

At December 31, 1959, there were issued and outstanding 10,729,180 shares of Common Stock. In 1962 1,088,489 shares of Preferred Stock were initially issued and 3,617,892 shares of Preference Stock in 1963.

COMMON STOCK: Year	Stock Options Exercised	Conversions of Preferred and Preference Stocks	Acquisitions of Properties and Other Assets	Other Changes	Shares Outstanding End of Period
1960 .....	—	—	—	—	10,729,180
1961 .....	—	—	124,709	(24,400)(a)	10,829,489
1962 .....	—	—	—	(55,400)(a)	10,774,089
1963 .....	54,640	351,133	—	(29,100)(a)	11,150,762
1964 .....	45,940	463,609	62,493	(177,905)(a)	11,544,899
1965 .....	59,604	2,575,280	—	{12,723,390 (b) (314,042)(a)	26,589,131
1966 .....	25,500	1,765,866	63,706	(56,228)(a)	28,387,975
1967 .....	22,744	722,516	67,615	2,134 (c)	29,202,984
1968 .....	69,574	409,355	—	{ 3,055 (c) (124,000)(a)	29,560,968
1969 .....	14,069	840,855	65,065	{ 2,307 (c) (116,400)(a) (3,634,490)(d)	26,732,374

### PREFERRED STOCK:

Year					
1962 .....	5,831	—	1,088,489	—	1,094,320
1963 .....	3,702	(9,961)	—	—	1,088,061
1964 .....	1,909	(45,586)	—	—	1,044,384
1965 .....	3,416	(440,473)	—	—	607,327
1966 .....	752	(239,770)	—	—	368,309
1967 .....	1,686	(97,632)	—	—	272,363
1968 .....	669	(55,957)	—	—	217,075
1969 .....	321	(51,830)	—	—	165,566

### PREFERENCE STOCK:

Year					
1963 .....	1,787	(368,247)	3,617,892	—	3,251,432
1964 .....	4,667	(426,905)	—	—	2,829,194
1965 .....	5,948	(1,150,794)	—	—	1,684,348
1966 .....	5,792	(531,569)	—	—	1,158,571
1967 .....	6,583	(218,465)	—	—	946,689
1968 .....	8,677	(122,621)	—	—	832,745
1969 .....	8,014	(367,833)	—	—	472,926

### Notes:

- (a) Shares acquired for treasury.
- (b) Shares issued for 2-for-1 stock split effective September 29, 1965.
- (c) Shares issued under Incentive Compensation Plan.
- (d) Retirement of shares received in exchange for Atlantic Richfield Corporation common stock.

## DIVIDEND RECORD (1)

Dividends paid by the Company on its \$5.00 par value Common Stock for the preceding ten years have been as follows:

<u>Payment Date</u>	<u>Rate Per Share</u>	<u>Amount</u>
March 7, 1960 .....	\$ .30	\$ 6,437,508.00
June 6, 1960 .....	.30	6,437,508.00
September 12, 1960 .....	.30	6,437,508.00
December 16, 1960 .....	.30	6,437,508.00
March 15, 1961 .....	.30	6,437,508.00
June 5, 1961 .....	.30	6,437,448.00
September 11, 1961 .....	.30	6,431,028.00
December 11, 1961 .....	.30	6,577,018.80
March 19, 1962 .....	.30	6,493,853.40
June 11, 1962 .....	.30	6,488,513.40
September 10, 1962 .....	.30	6,475,493.40
December 10, 1962 .....	.30	6,464,573.40
January 29, 1963(2) .....	.10	2,154,817.80
March 11, 1963 .....	.325	7,010,012.78
June 10, 1963 .....	.325	7,028,153.87
September 9, 1963 .....	.325	7,104,199.66
December 16, 1963 .....	.325	7,253,564.71
March 9, 1964 .....	.325	7,248,218.82
June 8, 1964 .....	.325	7,253,761.88
September 8, 1964 .....	.325	7,363,465.88
December 14, 1964 .....	.35	8,035,264.30
March 8, 1965 .....	.35	8,209,737.20
June 7, 1965 .....	.35	8,346,496.20
September 7, 1965 .....	.35	8,481,978.40
December 15, 1965 .....	.375	9,859,602.48
March 7, 1966 .....	.375	10,061,010.95
June 6, 1966 .....	.40	10,907,272.10
September 6, 1966 .....	.40	11,139,524.40
December 5, 1966 .....	.45	12,678,880.19
March 6, 1967 .....	.45	12,820,237.61
June 5, 1967 .....	.45	12,926,593.49
September 5, 1967 .....	.45	13,013,247.51
December 4, 1967 .....	.45	13,103,076.22
March 11, 1968 .....	.50	14,623,527.50
June 10, 1968 .....	.50	14,628,514.00
September 9, 1968 .....	.50	14,696,830.50
December 9, 1968 .....	.50	14,756,708.50
March 10, 1969 .....	.50	14,810,142.00
June 9, 1969 .....	.50	14,857,403.50
September 8, 1969 .....	.50	15,063,350.50
December 9, 1969 .....	.50	13,392,322.00
March 9, 1970 .....	.55	14,667,931.83

(1) Common stock dividend rates per share have been adjusted to reflect the 2 for 1 stock split in 1965 at which date the par value per share was changed from \$10.00 to \$5.00.

Dividends of \$4.40 per annum, payable quarterly, on Preferred Stock have been paid when due since the issuance of said stock by the Company in 1962.

Dividends of \$2.25 per annum, payable quarterly, on Preference Stock have been paid when due since the issuance of said stock by the Company in 1963.

(2) Special year end dividend.

## SUBSIDIARY COMPANIES

As at December 31, 1969

<u>Name</u>	<u>Organized Under the Laws of</u>	<u>Kind of Business</u>	<u>Approximate Percentage of Voting Power(2)</u>
<b>Included in the consolidated financial statements:</b>			
Africa-Cities Service, Inc.	Delaware	Petroleum exploration	100
Argentina-Cities Service Development Company	Delaware	Operates producing properties for Argentine government	100
Argentina-Cities Service Exploration, Inc.	Delaware	Petroleum exploration	100
Australia-Cities Service, Inc.	Delaware	Petroleum exploration	100
Cameroon-Cities Service, Inc.	Delaware	Petroleum exploration	100
Cit-Con Oil Corporation	Delaware	Manufacture of lubricating oil base stocks	65
Cities Service Athabasca, Inc.	Delaware	Tar sands research activities	100
Cities Service Cryogenics, Inc.	Delaware	Extraction of helium and LPG	100
Cities Service Gas Company	Delaware	Natural gas transmission	80.44
Cities Service Helex, Inc.	Delaware	Extraction of helium and LPG	100
Cities Service International Capital Corporation	Delaware	Finance company	100
Cities Service International, Inc.	Delaware	Marketing Company	100
Cities Service Mid-East, Inc.	Liberia	Petroleum exploration	100
Cities Service Oil Company	Delaware	Production, refining and marketing of petroleum products	100
Canada-Cities Service Petroleum Corporation	Delaware	Petroleum exploration and production	100
Cities Service Pipe Line Company	Delaware	Common carrier oil pipe line	100
Petgas Company	Michigan	LPG distributor	100
Waterway Terminals, Inc.	Illinois	Petroleum terminals	66.67
Cities Service Realty, Inc.	Delaware	Realty	100
Chesebrough Building Company	New York	Realty	100
CITGO ATLANTA INC.	Delaware	Realty	100
Cities Service Tulsa, Inc.	Delaware	Realty	100
Sixty Wall Tower, Inc.	New York	Realty	100
Cities Service Research and Development Company	Delaware	Holds patents and licenses, coordinates research activities	100
Cities Service Tankers Corporation	Delaware	Operates tankers	100
Grand Bassa Tankers, Inc.	Liberia	Operates tankers	100
Colombia-Cities Service Petroleum Corporation	Delaware	Petroleum exploration and production	100
Coltexo Corporation	Maryland	Production of petroleum products	51
Columbian Carbon Company	Delaware	Production and marketing of carbon black, iron oxide pigments, plastics, petrochemicals and printing inks	100
Cities Service-Canada, Inc.	Delaware	Petroleum production	100
Columbian Carbon (Canada) Ltd.	Canada	Manufacture and marketing of carbon black and printing inks	100
Columbian Carbon International Inc.	Delaware	Marketing of carbon black, printing inks and iron oxide pigments	100
Columbian Carbon of Puerto Rico, Inc.	Delaware	Manufacture of printing ink	100
Dimensional Pigments, Inc.	New Jersey	Manufacture of plastic products	100
Ecuador-Cities Service, Inc.	Delaware	Petroleum exploration	100
Equatorial Guinea-Cities Service, Inc.	Delaware	Petroleum exploration	100
General Technologies Corporation	Delaware	Research and development	100

<u>Name</u>	<u>Organized Under the Laws of</u>	<u>Kind of Business</u>	<u>Approximate Percentage of Voting Power(2)</u>
Hydrocarbon Production Company, Inc.	Delaware	Petroleum and natural gas production	52.65
Indonesia-Cities Service, Inc.	Delaware	Petroleum exploration	100
Iran-Cities Service Petroleum Corporation	Delaware	Petroleum exploration	100
Italy-Cities Service, Inc.	Delaware	Petroleum exploration	100
Kansas Gas Supply Corporation	Delaware	Natural gas transmission	100
Netherlands-Cities Service Inc.	Delaware	Petroleum exploration	100
New Guinea-Cities Service, Inc.	Delaware	Petroleum exploration	100
North Sea-Cities Service Petroleum Corporation	Delaware	Petroleum exploration	100
Spain-Cities Service, Inc.	Delaware	Petroleum exploration	100
Swiflite Aircraft Corporation	New Jersey	Operation of aircraft for company use	100
Tennessee Corporation	Delaware	Production and marketing of agricultural and industrial chemicals, copper and other metallurgical products	100
Cities Service Minerals Corporation	Nevada	Mineral exploration	100
Custom Farm Services, Inc.	Delaware	Manufacture and marketing of fertilizer	100
Delta Custom Farm Services, Inc.	Missouri	Marketing of fertilizer	100
Tennessee Corporation of Unadilla, Inc.	Georgia	Manufacture and marketing of fertilizer	100
North Carolina Exploration Company	Delaware	Mineral exploration	100
Number Twenty Copper Mining Co., Inc.	New York	Mineral exploration	100
Tennessee International Corporation	Delaware	Marketing of fertilizer	100
Venezuela-Cities Service, Inc.	Delaware	Petroleum exploration	100

(1) Not included in the consolidated financial statements are the names of forty (including nineteen inactive) subsidiaries inasmuch as such companies, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

(2) With respect to certain companies, qualifying shares in names of directors are included in these percentages.

#### 10. OPTIONS, UNDERWRITINGS, ETC.

There are no shares of the Company's capital stock subject to options or reserved for the conversion of outstanding securities other than as set forth in paragraph 1 above.

#### 11. LISTING ON OTHER STOCK EXCHANGES

At December 31, 1969, 29,413,893 shares of the Common Stock, par value \$5.00, of the Company were listed in the United States on the New York Stock Exchange, the Boston Stock Exchange and the Midwest Stock Exchange.

At December 31, 1969, 165,566 shares of the Company's \$4.40 Cumulative Convertible Preferred Stock were listed on the New York Stock Exchange.

At December 31, 1969, 472,926 shares of the Company's \$2.25 Cumulative Convertible Preference Stock were listed on the New York Stock Exchange.

#### 12. STATUS UNDER SECURITIES ACTS

Pursuant to Section 13 of the Securities Act of 1934, the Company has filed a Form 10-K Annual Report with the Securities and Exchange Commission, Washington, D.C. each year. A copy of the most recent Report (for the year 1969) has been filed with the Secretary of The Toronto Stock Exchange and is available for inspection.

Since no offering is being made in Canada, registration or filing with the Ontario Securities Commission is not required.

#### 13. FISCAL YEAR

The Company's fiscal year ends on the 31st day of December.

#### 14. ANNUAL MEETING

The By-Laws of the Company provide that, unless a different time or place, within or without the State of Delaware, is fixed by the Board of Directors in accordance with Delaware Law, the Annual Meeting of the Stockholders shall be held in Wilmington, Delaware on the last Tuesday in April, if not a legal holiday, and if a legal holiday then on the next day not a legal holiday. The last Annual Meeting was held on April 28, 1970.

15.

## HEAD AND OTHER OFFICES

The principal offices of the Company are located at 60 Wall Street, New York, New York 10005. The Company also maintains divisional offices in various states.

16.

## TRANSFER AGENT

Montreal Trust Company at Toronto is Co-Transfer Agent in Canada for shares of the Common Stock, par value \$5.00, of the Company. The shares of Common Stock of the Company are interchangeably transferable at such office and at the United States transfer offices located at the Company's office at 54 Wall Street, New York, New York 10005, and at the offices of Old Colony Trust Company, P. O. Box 644, Boston, Massachusetts 02102, Continental Illinois National Bank and Trust Company of Chicago, 231 South LaSalle Street, Chicago, Illinois 60690, and The First Jersey National Bank, One Exchange Place, Jersey City, New Jersey 07303.

17.

## TRANSFER FEE

No transfer fee is charged on the transfer of the shares of Common Stock other than customary stock transfer taxes.

18.

## REGISTRAR

National Trust Company, Limited at Toronto is the Registrar in Canada for the shares of the Common Stock, par value \$5.00, of the Company. United States Registrar and Co-Registrars are: Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, New York 10015, State Street Bank and Trust Company, 111 Franklin Street, Boston, Massachusetts 02101, and Harris Trust and Savings Bank, 115 West Monroe Street, Chicago, Illinois 60690.

19.

## AUDITORS

The auditors of the Company are Peat, Marwick, Mitchell & Co., certified public accountants, 345 Park Avenue, New York, New York 10022.

20.

## OFFICERS AND DIRECTORS

The officers and directors of the Company are:

<u>Name</u>	<u>Address</u>	<u>Office Held</u>	<u>Principal Occupation During Past Five Years</u>
Edwin B. Brooks	60 Wall St., New York, N. Y. 10005	Director	President, Columbian Carbon Co., 1964-70; Presently Group Vice President—Petrochemicals, Cities Service Co.
Walter L. Brown	5 South Trail, Darien, Conn.	Director	Retired, formerly Vice President, Western Electric Co. Inc. to 1964.
Roy R. Burns	61 Broadway, New York, N. Y. 10006	Director	President, Tennessee Corp. 1963-70; presently Group Vice President—Chemicals and Metals, Cities Service Co.
Kirby E. Crenshaw	Oil Center Bldg., 1437 So. Boulder, Tulsa, Okla. 74102	Director	President, Cities Service Gas Co., 1958-68; President, Cities Service Oil Co., 1968 to date; Group Vice President—Petroleum, Cities Service Co. 1970 to date.
Wesley C. Ekholm	60 Wall St., New York, N. Y. 10005	Officer	Vice President, Columbian Carbon Co., 1963-70; presently Group Vice President—Diverse Operations, Cities Service Co.
James P. Farrell	60 Wall St., New York, N. Y. 10005	Director	Senior Partner, Frueauff, Farrell, Sullivan & Bryan
Thomas S. Gates	23 Wall St., New York, N. Y. 10015	Director	Chairman of the Board, Morgan Guaranty Trust Co. of N. Y. 1965-69; Chairman of Executive Committee, 1969 to date.
J. Edgar Heston	60 Wall St., New York, N. Y. 10005	Director	President, Cities Service Oil Co., 1963-68; President Cities Service Co. 1968 to date.
Park Holland, Jr.	60 Wall St., New York, N. Y. 10005	Officer	Assistant General Counsel, 1963 to date; Secretary, 1967 to date.
Clifford W. Michel	42 Wall St., New York, N. Y. 10005	Director	General Partner, Loeb, Rhoades & Co.
Charles S. Mitchell	60 Wall St., New York, N. Y. 10005	Director	Executive Vice President 1964-66; President, 1966-68; Chairman of the Board 1968 to date.
John W. Morton	First Nat'l Bank Bldg., Oklahoma City, Okla. 73125	Director	Vice President, Cities Service Gas Co., 1965-66; Executive Vice President 1966-68; President 1968 to date.

<u>Name</u>	<u>Address</u>	<u>Office Held</u>	<u>Principal Occupation During Past Five Years</u>
Henry L. O'Brien	133 E. 80 St., New York, N. Y. 10021	Director	Retired, formerly General Counsel, Cities Service Co.
Harold E. Platt	60 Wall St., New York, N. Y. 10005	Officer	Controller, 1964-69; Treasurer, 1969 to date.
Fred H. Ramseur, Jr.	60 Wall St., New York, N. Y. 10005	Officer	Manager, NGL Dept. Cities Service Oil Co. 1965-66; Vice President 1966-70; Group Vice President — International, Cities Service Co., 1970 to date.
Philip J. Reilly	60 Wall St., New York, N. Y. 10005	Officer	Manager, Budgets, Columbian Carbon Co. 1964-66; Assistant Controller, Cities Service Co. 1966-70; Controller 1970 to date.
H. I. Romnes	195 Broadway, New York, N. Y. 10007	Director	President, American Telephone & Telegraph Co., 1965-67; Chairman of the Board 1967-70; Chairman and President 1970 to date.
Emil Schram	P. O. Box 88, Peru, Indiana 46970	Director	Chairman of the Board, Valley Farms, Inc.
Robert V. Sellers	60 Wall St., New York, N. Y. 10005	Director	Manager Planning and Development, Cities Service Co., 1963-66; Staff Vice President 1966-68; Assistant Treasurer 1968; Treasurer 1968-69; Vice President—Finance 1969 to date.
Evert P. vanMarken	The Hague, Netherlands	Director	Partner, Pierson, Heldring & Pierson
Charles J. Waidelich	60 Wall St., New York, N. Y. 10005	Director	Transportation Coordinator, Cities Service Co. 1965-66; Staff Vice President 1966-68; Vice President, Operations, Tennessee Corp. 1968-70; Executive Vice President—Operations, Cities Service Co. 1970 to date.
Charles V. Wheeler	60 Wall St., New York, N. Y. 10005	Director	General Counsel, Cities Service Gas Co., 1965-68; Vice President 1966-68; General Counsel, Cities Service Co. 1969 to date.
Burton F. Wiand	60 Wall St., New York, N. Y. 10005	Officer	Vice President, 1963 to date.
M. F. Wirges	60 Wall St., New York, N. Y. 10005	Officer	Manager, Corporate Planning, Cities Service Oil Co. 1965-68; Staff Vice President, Cities Service Co. 1968; Vice President 1968 to date.

21.

CERTIFICATE

Pursuant to resolutions duly adopted by its Board of Directors, Cities Service Company hereby applies for listing of its Common Stock, par value \$5.00, on The Toronto Stock Exchange, and the undersigned duly authorized officers hereby certify that the statements submitted in support thereof are true and correct.

CITIES SERVICE COMPANY

By .....  
*Vice President-Finance*

By .....  
*Secretary*